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# CHINA REPORT

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### CONTENTS

#### NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' on Planned Regulation in Capitalist Countries (Lao Yuansheng; JINGJI YANJIU, 20 Oct 80) .....	1
Beijing Economic Journal on Employment Problems (Feng Lanrui; JINGJI YANJIU, 20 Oct 80) .....	13
'JINGJI YANJIU' Discusses Socialist Commodity Production (He Wei; JINGJI YANJIU, 20 Oct 80) .....	26
'JINGJI YANJIU': Issues of Public Ownership Under Socialism (Mei Kingbao; JINGJI YANJIU, 20 Oct 80) .....	33
Economic Journal on Studying Quantitative Economics (Ma Jiawei; JINGJI YANJIU, 20 Oct 80) .....	41
'JINGJI YANJIU': Investigations in Farm Products Pricing (Li Yingzhong, Li Yushu; JINGJI YANJIU, 20 Nov 80) .....	52
PRC Journal on Ratio Between Accumulation, Consumption (He Zhenyi, Chen Lingshu; JINGJI YANJIU, 20 Nov 80) .....	62
PRC Journal on Distribution According to Work (Wu Dingcheng; JINGJI YANJIU, 20 Nov 80) .....	71

#### MINERAL RESOURCES

Developing Coal Dressing, Processing Said Important Resource Conservation (Hao Fengyin; RENMIN RIBAO, 23 Oct 80) .....	80
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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON PLANNED REGULATION IN CAPITALIST COUNTRIES

HK080754 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 12-18

[Article by Luo Yuansheng [5012 0337 6927] of the World Economic Research Unit of the China Social Sciences Institute: "On 'Regulation by Planning Mechanism' of Capitalist Countries"]

[Text] All aspects of the problem of what means may be employed by China's national economic management to implement the policy of integrating regulation by planning mechanism with regulation by market mechanism are being closely investigated. The present article is an attempt to investigate how the capitalist countries are carrying out regulation by planning mechanism on the basis of a market economy, from which we may draw lessons for our own implementation of regulation by market mechanism under the guidance of planning.

#### I

In a capitalist society, on the one hand the entire society's production is required to harmonize, in an organized and planned way, with the development of the social forces of production and the progressive socialization of production; on the other hand, however, the capitalist system of private ownership causes the whole society's production to fall into an unorganized, unplanned and ungoverned state. The capitalist economic system has decided that the aim of its production is to seek a profit, and national economies depend to a large extent on the spontaneous development of regulation by market mechanism; the proportions of the entire society's production are renewed of their own accord in the midst of continual fluctuations and depredations. This kind of spontaneous movement spotlights the difference between socialized production and capitalism, and gives expression to the fundamental contradiction of capitalist society. Nevertheless, this does not amount to saying that a capitalist economy is entirely incapable of regulation by planning mechanism. In fact, "Capitalism has now directly evolved to a point where it has a highly planned form." (Lenin: "(Proclamation of) the Russian Social-Democratic Labor Party's Seventh Meeting of National Representatives, (the April Representative Meeting)," "Complete Works of Lenin, vol 24, p 274.)

First, there is the organization and planning of enterprise production. The form of capitalist production, as well as the historical role of the capitalist classes, consists of their adaptation to the demands of the development of the productive forces, concentrating and expanding the means of production, which were scattered



amongst individual producers and small enterprises, founding enterprises on a huge scale and also instituting a planned distribution of labor within enterprises. Beginning from the 15th century, after passing through the stages of simple cooperation, workshop handicrafts and large-scale industry, powerful forces of production were created. This is the reason why factories which operated in a coordinated way, through the collective utilization of the means of production by a large number of people, were able to supplant small workshops. The latter process came about because this kind of "planned organization must be more effective than the haphazard distribution of labor; goods produced in factories where socialized labor is in operation must be cheaper than those produced by scattered small producer." (Engels: "Anti-Duhring" "Selected Works of Marx and Engels," vol 3, pp 309-310) This is to say that the capitalist economy, taken overall, is basically unplanned, but that within an enterprise it is, on the contrary, planned. Moreover, the planned nature of an individual capitalist enterprise, in step with the advance of science and technology, and in keeping with the 200 or 300 years' experience accumulated by capitalist management and administration, the modernization of capitalist enterprise management and the capitalists' strenuous efforts in subordinating their economic activities to the objective demands of the law of value, has further developed the planned nature of large companies and large monopolistic organizations, and has transcended national boundaries to develop into the planned nature of international corporations. In order to facilitate the profitable organization of production operations, the scope of planning is becoming increasingly extensive, its content is becoming increasingly comprehensive, and its different varieties likewise more and more numerous; since its methods are continually being improved, the quality of planning is also continually being raised. In the United States, for example, many large corporations formulate long term and short term plans: drawing on their long experience of creating new kinds of airplanes, new styles of automobiles and new chemical products, from the forming of a concept to starting up production, the Lockheed Aircraft Corporation, General Motors, and the DuPont Chemical Corporation have all worked out 5 or 10-year long term plans. The contents of these plans include important aspects and points relating to the manufacture of new products. After the long term plans have been drawn up, in order to adapt to market changes and new developments in science and technology, appropriate additions, revisions and supplements must be made to them every year. At the same time, these corporations strongly emphasize the integration of annual, quarterly and monthly plans in the formulation of their short term plans and stress that the plans should reach the units which have to carry them out before the start of the period to which they refer.

Second, it is not only enterprises and trusts which have internal planning; in the capitalist countries, certain ministries and departments also possess specific plans. Why is it that U.S. agriculture is so advanced? Apart from the existence of exceptionally favorable natural conditions, the U.S. has enormous experience in, and a whole series of methods for, developing agricultural production and carrying out agricultural modernization, and the U.S. Government's intervention in, and planned regulation of, agriculture has played a significant role in the development and modernization of U.S. agriculture. The U.S. policy in agriculture is admittedly the implementation of free regulation by market mechanism; nevertheless, the U.S. Government put into effect, at an early date, various plans to facilitate its intervention in or adjustment of agriculture. For instance, the adjustment of agricultural production was carried out by means of the formulation of a plan for the nation's overall cultivated area. Its contents are announced before the start of

each year's sowing season. The extent of the cultivated area stipulated in the plan is calculated on the basis of requirements for domestic supply, net export and reserves. If a farmer voluntarily leaves fallow land which was used for growing a crop where a serious overproduction exists, if he is a participant in this plan and acts according to the terms of the contract, he may receive from the government a subsidy for his fallow land. The Department of Agriculture implements stabilizing plans in respect of many agricultural products: for example, if, after harvesting, selling conditions for an agricultural crop are not favorable, a farmer may decide not to sell this agricultural product, and use it instead as a pledge to raise a loan; in this case, the price of the pledged goods according to the plan will be higher than the market price. If the market price rises, the farmer can then sell the goods, and repay the original loan. If the market price remains lower than the planned price, then the farmer can transfer the pledged goods to the government at the planned price, in order to make good the original loan. Apart from these measures, the U.S. Government has also drawn up plans for foreign "aid" in grain, plans to safeguard agricultural resources, and management plans to safeguard the interests of consumers of agricultural products, in order to alleviate the "overproduction" crisis. All these plans have played a certain part in promoting U.S. agricultural development.

Furthermore, certain regulation by planning mechanism of the entire society's production has been realized. Modern capitalist production is highly socialized production, and certain proportional relations must necessarily exist in the reproduction of the society as a whole. It is only that its proportionality is brought into being through the spontaneous adjustments of the law of value. The correct level for such adjustments is often only apparent after the event, and also does not remain stable; this may be true to the extent that the equilibrium must be forcibly regained after critical disruptions have occurred, with the resultant crippling costs and enormous losses.

However, even at the stage of free-competition capitalism, bourgeois countries have intervened in a positive way in certain aspects of social production, so as to promote the development of the capitalist economy. They have decided the general legal scope of economic activities, upheld the capitalist system of private ownership, developed basic installations such as roads, bridges, canals, posts and telecommunications, and so forth, adjusted economic relations with foreign countries, with the aims of reducing the indiscriminate nature of the capitalist economy and allowing it to achieve a proportional development and reduce its losses in the milieu of free competition. For example, in the 19th century, in order to promote the opening up of regional economies, the U.S. Government encouraged the construction of railroads, stipulating that for every mile of railroad built, the railroad company was to be allocated ten miles of land, along both sides of the track, as well as a subsidy of \$16,00-48,000. With the government's encouragement and assistance, U.S. railroad construction underwent a rapid development, so that in the latter half of the 19th century, five railroad tracks were constructed which spanned the entire continental United States, and the construction of railroads became the crux of U.S. economic development in the 19th century. Equally, the U.S. Government adopted sweeping politics to foster capitalist development, and in the 19th century it carried out the policy of protective tariffs, with customs duty as high as 40-50 percent, which effectively protected U.S. economic interests and encouraged the formation of a broadly based and unified domestic market in the United States.

In the closing years of the 19th century, with the rise in the degree of socialization of production and labor and the establishment of the rule of monopolistic capitalism, the capitalist classes were spurred on to the further use of state machinery to intervene in economic life and the modern capitalist economy had already reached a state in which it was no longer completely government-run. In the period of the First World War, in order that all economic activities might serve the aim of continuing the war, and so as to remedy the imbalance between resources and requirements, some imperialist countries took various positive steps to adjust their control of such things as production, the distribution of raw and processed materials and commodity prices, which was the embodiment of the phenomenon of large-scale state intervention in the economy. The imperialist period was no longer simply the era of big capital monopoly; it was also the period when monopoly capitalism was transformed into state monopoly capitalism. Its special characteristics were the integration of the enormous forces of the state and of capital into a single structure, the integration of the people in their multitudes within the production relations of state monopoly capitalism, the assumption by the state of certain functions of economic organization, and the implementation of fairly good regulation by planning mechanism in the economic life of the society as a whole; it was one of the important manifestations of state monopolism.

The economic crisis which first broke out in the U.S. in 1929 engulfed the entire capitalist world. In order to deal with the serious economic crisis and the threat of imminent revolution, the newly-elected U.S. President Roosevelt launched his so-called "New Deal" as soon as he had been sworn in, in 1933. This was an attempt to rescue the U.S. from the crisis by means of state measures for the "regulation" of the economy. Its general methods thus consisted of comprehensive state intervention in economic life, the strengthening of state monopoly capitalism, and the implementation of a series of measures for regulation by planning mechanism. Significant measures were the devaluation of the U.S. dollar, the abolition of the free exchange of paper currency for gold, the control of commodity prices, the limitation of private production and investment, and the absorption of a great number of the unemployed into public construction projects through the allocation of funds from the Federal budget; in the agricultural sector, an "agricultural reorganization bill" was put into effect, through large-scale state purchase of agricultural products, the area of land under agricultural cultivation was reduced, and agricultural compensation paid out, and so on. The U.S. propaganda organizations called Roosevelt's "New Deal" a kind of "planning" to ensure flourishing production, and asserted that the United States, under the "New Deal" would have "planned capitalism with no crises." This was, of course, a propaganda strategem, but certain of the planned readjustment measures taken under Roosevelt's "New Deal" really did achieve results, within a specific period and in certain fields, bringing about temporary economic recovery, and strengthening the dominant position of monopolistic organizations.

In his discussion of the historical position of imperialism, Lenin made a thorough analysis of certain new conditions which appeared after the occurrence of the great rise in the level of socialization of production, during the stage of monopolistic capitalism. These conditions included the enormous increase in size of the large enterprises--according to accurate estimates based on a large mass of data, they obtained possession of two-thirds, or even three-quarters of the total raw materials essential to the masses of American citizens; the transportation of these raw materials to the most convenient production sites was carried out in a planned way, (sometimes the distance between materials and production site was several hundreds, or even several thousands of li); all the various working procedures involved in the



production of a large range of goods, from the processing of raw materials right up to adding the finishing touches, were directed from a single nodal point; the distribution of these products to the consumers in their tens and hundreds of millions was effected in accordance with a plan. All these conditions reflect the objective process of the increase in planning in the wake of the development of the social forces of production during the stage of monopoly capitalism. In some Western capitalist countries, a certain level of regulation by planning mechanism of the entire society's production and distribution, carried out by the state on the basis of market effects, has now become a new characteristic of the present-day capitalist economy.

## II

After the Second World War, several important capitalist countries, such as France and Japan, vigorously promoted economic planning, and widely practiced state planning and regulation on the basis of the capitalist market economy. This had a tangible effect on the recovery and development of their national economies. Between 1947 and the present, the French Government has drafted and carried out seven consecutive medium term economic plans, and is due to start the implementation of the eighth next year. In the 10 years immediately following the war, the Japanese Government successively drafted more than 10 informal plans. Starting from 1955, Japan formulated nine official medium term plans, and is now in the process of carrying out a new economic and social 7-year plan (1979-1985).

The fundamental reason why postwar France and Japan, among other important capitalist countries, have put into effect economic planning, was to attempt to find a solution to the consequences of the increasingly acute internal and international contradictions inherent in modern capitalism. This economic planning has four important aims:

First, to resolve postwar economic difficulties by relying on their national economic strengths. To take France as an example, its economy was seriously disrupted in the course of the Second World War; there were serious shortages of raw materials, fuel, foodstuffs and housing, the currency was inflated, communications were paralyzed, and production installations and methods were obsolete. Under these conditions, the only way to effect a quick economic recovery was to rely on national strengths. Thus there was an urgent need for the government to formulate national plans, so as to quickly revive the economy. France's first economic plan (also called the Monnet Plan), was a plan covering the years 1947-1953 for the rebuilding of France and its economic recovery. By 1953, the French economy had not only completely recovered, but certain aspects had improved considerably compared to the prewar period. Between 1946 and 1955, Japan also drew up a total of more than 10 informal plans including the "Plan for Economic Revival" and the "3-Year Plan for Economic Self-Sufficiency." The Japanese Government took as the objective of its central plan the implementation of a "biased production pattern," emphasizing support for the development of basic industries such as coal, electric power and artificial fertilizers, as well as various other kinds of powerful policies and measures, promoting the rapid recovery of the economy. By the beginning of the 1950's, the Japanese economy had already regained its prewar level.

Second, to quickly develop the economy, promote modernization, and consolidate the rule of monopoly capital, by means of economic planning. Even during the Second World War, the French Resistance movement advocated postwar reform of the social economy, state organization of the economy, and the formulation and implementation of national economic plans, in order to remold France's economy and to raise the nation's political and economic position. Just as France's former Prime Minister M. Chalan-Delmas said, the goal of France's plans is "France's independence"; "France must make use not only of military methods for self-defense, but must also defend itself particularly by means of economic expansion." This requires that the state should carry out even more economic functions and that the state's role in economic regulation and intervention should be increased in order to direct the development of the economy toward predetermined planned goals. Between 1956 and 1973, Japan effected a swift expansion and modernization of its economy. During this stage of development, Japan formulated a total of six medium and long term plans, including the famous "Plan for the Doubling of National Income" (1961-1970). The aim of this plan was to transform the state of affairs in which Japan lagged behind other leading capitalist countries in science and technology, industrial structure, production levels, economic results, solving the severe and protracted postwar unemployment problem, achieving full employment and also bringing about a rapid rise in national living standards. On the basis of having solved these two big problems, the Japanese Government gradually altered the direction of development of its medium and long term plans, making a clear change away from its former simple "economic development plans," to "economic and social development plans." It increased plans for "social" development, exploiting talent, transforming the state of affairs in which public facilities lagged behind the development of production and the improvement of life, emphasizing cultural facilities, conservation of the environment and social welfare.

Third, to try to redress the indiscriminating nature of markets, to prevent the harmful effects of the market on the social economy, and to reduce the drawbacks of spontaneous market regulation by market mechanism. The late President de Gaulle of France indicated that the aims of French economic planning were "to mold the scattered and multifarious types of production into an integral whole," "to make good the defects of freedom, while ensuring that its good points are not lost." Plans "must not suppress the pioneering spirit, must not inhibit competition nor damage equitable profits," and they should act as a kind of "lever" to promote "the realization of a high production rate" in the business world, "causing all enterprises to join together, and setting them an example for competing in overseas markets." Some French economists look on planning as a "tool for regulation by market mechanism." In general terms, France's planning is not the state domination of the economy, but is rather an attempt to use and control markets by economic means, according to a plan, and on the basis of the market economy. The functions of planning lie in the analysis and prediction of economic trends, the expression of the state's socio-economic policies and the direction of development it proposes to take, and the use of economic measures to influence the economic activities of state-run industries, private enterprise and individuals.

Japan's regulation by planning mechanism also has its foundations in the market economy; by means of comprehensive forecasting, its medium and long term plans provide a clear impression of the direction and overall appearance of economic and



social development, and its government similarly uses economic measures to guide the progress of private enterprise in the direction indicated by the plans, so as to reduce the indiscriminate nature of economic development. This is an important reason for the emphasis which is at present being put on market surveys, market analysis and market forecasting in the West. It also accounts in some degree for the rise of "economic prediction," and "futurology."

Fourth, to serve as a measure for combating economic crises, and insuring stable economic progress. For example, in the 30 years following the war, the Japanese Government's investment in public industries in years of economic crisis far exceeded that in years when there was no crisis; in other words, the growth rate of government investment at all times formed a counter-trend to changes of the economic cycle. In years of crisis, when there was a fall in production in the mining industry, the scope of government investment always increased. According to Japanese statistical data, in crisis years, the amount of government investment shows an increase of about 20-30 percent over that of the previous year, while in crisis-free years, the increase over the preceding year is only around 10-20 percent, and for certain years the increase is even smaller.

Important ways in which regulation by planning mechanism has been realized in capitalist countries are as follows:

First, state budgets and government investment are the direct methods of carrying out regulation by planning mechanism. In France, the state budget and the social welfare funds allocated by the government at present account for approximately half of the national income, and the direct expenditure on investment allowed for in the national budget constitutes about one quarter of the total national investment; if loans extended from state funds and all forms of subsidies are added to this figure, it then constitutes roughly 50 percent of the total national investment. As a further example, government allocations annually accounted for 20-25 percent of the national income during 1946-1977. The funds needed for the expansion of the heavy chemical engineering industry in postwar Japan were raised mainly through government investment and loans. According to statistics, postwar public investment by the Japanese Government increased at a much faster rate than did private investment. In the years 1960-1976, private investment increased 7.5 times, while government public investment increased 11 times. The government investment was used mainly for machinery, construction of factories, for harbors, railroads and waterways of various sizes, and for similar production facilities. These investments, funded by the state budget, necessarily affected and regulated the market activities of Japan's means of production, increasing the demand for steel, cement, timber, machinery and other means of production, and thereby guiding the economic activities of private enterprise onto the course prescribed by economic planning.

Second, economic policy is a significant means of guiding the economy, regulating markets and putting plans into effect. In practice, it is clear that capitalist countries can, to a certain extent, regulate the building up of construction and the fluctuations between supply and demand in markets by means of economic policies covering tax revenue, subsidies, awards, credit, foreign exchange, currency, prices and so on; through policies on energy resources and technology, they are able to guide the exploitation of resources, make use of new technology, and improve production conditions; by means of policies covering workers' wages, social welfare,

savings and so forth, they can regulate employment revenue and consumption levels. The various policies directly and indirectly regulate and influence the economic activities of businesses and individuals, and, to a certain extent, suit them to the requirements of planning. For example, in France, if an enterprise undertakes a project planned by the state, the state will supply funds under the terms of a "planned contract," and will also give preferential treatment to the enterprise, in the form of loans, subsidies, tax reductions or remittances, and so on. Since the 1950's, a special credit system has been in operation in Japan, whereby the government, acting through the Bank of Japan, stipulates the number of loans which may be issued by individual commercial banks, and decides their management orientation, so as to control the economic activities of enterprises, and to insure that enterprises' policy decisions are in keeping with the requirements of economic planning.

Third, the far-reaching recruitment of representatives from all walks of life to participate in the forecasting of market trends and the formulation of economic plans. For instance, in the drawing up of its plans, France places much emphasis on recruiting representatives from the world of business, the trades unions, farmers' organizations and the consumers to take part in planning work, and formulates its plans on the basis of forecasts and consultations, thereby causing planning to be better suited to the markets, and making the two complement each other better. Thus the French Government's emphasis on consultation has always been fundamental to France's planning. Japan's economic planning takes the form of the prime minister seeking advice; the prime minister's requests for advice are answered by the Economic Advisory Commission, (the center for drawing up plans, a subsidiary body of the economic planning board). When the Ikeda cabinet was drawing up the "Plan for the Doubling of National Income," the Economic Advisory Commission formed four sub-committees and eventually set up a further 16 special committees to deal with the allocation of investment capital, the communications system, land and water conservancy, energy policy, wages and employment, living standards, and so on. Prime Minister Ikeda appointed 239 committee members, among whom were entrepreneurs, economists, newsmen and trades unionists. Experts on Japan believe that using the method of advice and consultation has three main functions: 1) it makes possible the pooling of wisdom, as well as the full use of the learning, experience and powers of judgment of the committee members; 2) it allows speedy attention to be given to all manner of suggestions, and the consultation of the interests of all the various members of the committees, and 3) it allows the members to gain an understanding of, and to support, the objectives and policies of the plans, through formulation and consultation.

Fourth, the establishment and consolidation of all kinds of organizations, funding organizations and functional companies for the implementation of plans. For example, apart from carrying out planned adjustment through the various government departments, the planning commission, and state financial bodies, France has also set up all kinds of funding organizations and functional companies to form an implementation structure for regulation by planning mechanism. There are organizations for the funding of economic and social development, territorial reclamation and improvement works, and the preservation of nature and the environment, and so on. As for the functional companies, there are national equipment companies (companies for promoting regional construction), a central real estate company (to assist regional basic

construction), land reclamation and rural construction companies (which are responsible for the purchasing of waste land, the concentration of landholdings, and the improvement of the farming structure), and so forth.

Fifth, the drafting of economic laws and the stipulation of criteria for economic activities, insuring the implementation of plans. Economic legislation is the concrete manifestation of economic policy and only when a strong and complete legislation exists for intervention in and supervision of economic activities can the effective enforcement of economic plans be guaranteed. In Japan, when a solution to important problems arising in the formulation of economic plans has been reached through investigation and research, appropriate economic regulations are drafted, or existing ones revised, for the allocation of funds. Thus, in the formulation of the "Plan for the Doubling of National Income," almost 90 proposed laws were drawn up or amended to facilitate the coordinated execution of the plan. France has formulated laws covering almost the whole spectrum of economic activities in order to promote the execution of its plans; for instance, there are trade laws, factory laws, labor laws, laws on agricultural policy and for environmental protection, social laws and others.

Economic planning has played a positive part in the postwar economic recovery, adjustment and reforms of Japan and France. Because the plans are in general of a directive, predictive and consultative nature, and also because they stress amendment and adjustment during the process of implementation, they are able to harmonize the interests of the state and of private enterprise at different levels and promote economic development. With a combination of guidance through economic planning and favorable conditions at home and abroad, Japan's gross national product achieved an average annual growth rate of 9.8 percent between 1955 and 1973, and of 19.8 percent during 1960-1970, higher than any other capitalist country in the same period. Japan's national income in 1958 represented only 7 percent of that of the United States, 51 percent of Britain's, 60 percent of West Germany's, and 70 percent of France's; by 1967, Japan had already overtaken France, West Germany and Britain, and had transformed itself, in a single leap, into an economic power second only to the United States in the capitalist world. From the point of view of the results of carrying out the plans, thanks to the use of scientific methods in drafting them, of Japan's eight medium- and long-term plans since 1955, six have been completed ahead of schedule or have overfulfilled their targets; only the "New economic and social development plan," and the "basic plan for the economy and society," are excluded, since they have not yet been completed. For the "5-Year Plan for Economic Self-sufficiency" of 1956-1960, the "New Long Term Economic Plan" of 1958-1962, the "Medium Term Economic Plan" of 1964-1968, and the "Economic and Social Development Plan" of 1967-1971, the average annual proportional economic growth rate was planned to be, 5, 6.5, 8.1 and 8.2 respectively, and in fact the effective results were 9.1, 10.1, 10.8 and 12.3 percent (1967-1970). Between 1952 and 1974, France's GNP increased twofold, with an average annual increase of 5.2 percent, while its average annual increase from 1960-1972 was 5.8 percent, surpassing that of West Germany, Italy, Britain and the United States and second only to Japan's. The results achieved by France's plans were very similar to those of Japan. From the above information, it is clear that there is a very close connection between the postwar recovery and rapid development of the French and Japanese economies and the guidance and regulation provided by state planning. We may say that the above results would have been very hard to attain without powerful state intervention and without the unrelenting promotion of economic planning over a long period.



It must be emphatically pointed out that there are differences in principle between the regulation by planning mechanism of capitalist countries and that of socialist countries. First of all, the economic plans of capitalist countries are formulated by the bourgeois government and the monopoly capitalist class; their aim is to serve the interests of the monopoly capitalist class, and profit is the motive for its decisions. Whenever sharp conflicts arise between regulation by planning mechanism and profits, state planning gradually loses its guiding role in private economic affairs, it cannot obtain the support and cooperation of the monopoly capitalist class, it becomes increasingly difficult for the state to use economic measures for the planned regulation of economic activities and suggestions for full recovery and for reliance on regulation by market mechanism are completely ignored. On the other hand, the regulation by planning mechanism of socialist countries serves the basic interests of the working people. Second, despite the fact that capitalist state planning is capable of different degrees of intervention at certain periods and in certain areas of the process of social reproduction, and even of using plans as a kind of measure to combat crises and temporarily relieve contradictions, nevertheless it cannot eliminate the basic contradictions of capitalism; neither can it eliminate chronically-recurring economic crises. The frequent outbreak of economic crises in the postwar capitalist world is proof of this. Especially since the 1970's, there have been great upheavals in international financial markets, competition for markets has been severe, the measures at the disposal of state planning have been heavily limited and, under the onslaught of the world economic crisis, even Japan and France have not been able to carry out their medium and long term plans on schedule. On the other hand, under the socialist system, given a correct line, a correct general policy, and scientific methods of application, all the various kinds of economic contradictions can be resolved, and national economies can be developed, in a planned way, at a proportionally higher rate. Further, however large its scope of application, capitalism's regulation by planning mechanism cannot achieve an overall balance throughout the whole of society. This is because, however wide the scope of capitalist enterprises and trusts, and however high their level of socialization, in the final analysis they remain private owners with radically opposed interests. No laws or policies are capable of fundamentally reconciling their conflict of interests, nor of fundamentally uniting them, coordinating the entire society's production and bringing about an overall balance. In the pursuit of profits, capitalists are prepared to ignore any sort of social needs, coordination of production and legal norms. They will of necessity destroy all these things in the pursuit of their own objectives. Moreover, as a result of the broadening of international economic relations, the increasing intensity of competition in international and domestic markets, the implementation of regulation by planning mechanism within the confines of a single country is becoming more and more difficult.

### III

Even though differences of principle exist between the regulation by planning mechanism of capitalist countries and that of socialist countries, the socialist economy nevertheless has similarities with the capitalist economy in the two fields of socialized production and commodity production. In the course of several hundred years, the capitalist classes have accumulated rich experience in these two fields. We can and should learn from the experience of the capitalist classes in operating commodity production with a fairly high degree of socialization. As Lenin has said, only those who understand that it is impossible to create or implement socialism

without learning from the organizers of trusts are worthy of being called communists. We should learn from the experience of capitalist countries, accumulated in the course of 200 or 300 years, in the field of microeconomic management, and we should also learn from the experience they have accumulated in relation to market adjustment and a certain degree of regulation by planning mechanism in the field of macroeconomics.

I believe that it is worth our while to study, and draw lessons from, the experience of capitalist countries in carrying out certain levels of regulation by planning mechanism on the basis of regulation by market mechanism, especially in the following three areas:

First, the regulation by planning mechanism of the capitalist countries attempts to avoid negative market effects. Their medium and long term plans embody certain macroscopic goals, and are plans of a strategic and guiding nature. Their macroscopic plans, from one point of view, supply guidelines for the market, and strive to correct the indiscriminate nature of the market and to prevent the disruptive effects of the market on society; from another point of view, they concentrate on not restricting the positive role of the market. Some French economists who have held important offices in certain government economic and planning departments believe that the planned guidance of markets and the market's insuring of the balance between supply and demand are not mutually exclusive functions. The favorable effect of safeguarding the free play of market mechanisms in no way hinders the large-scale effect of bringing state planning into play. The initiative of enterprises will only be restricted if the intervention of the government or planning in the economy is too great, or if their control of the economy is too strict, or when serious bureaucratism occurs in government departments, when there is an excessive number of rules and regulations, or when taxes are too heavy. In the same way, only when state plans fail to provide proper guidance in a particular field, or if they have not stipulated objectives and measures which must be fully carried out, will spontaneous market effects spread unchecked. It would appear that the object of economic intervention through macroscopic planning by capitalist countries is to allow capitalist economic laws, including the law of value, to be brought fully into play, and not to build up dominance over the economy or work it to death. We should examine and learn from the experience of capitalist countries in this field, strengthen planned guidance, give full rein to positive market effects and bring about a better integration of regulation by planning mechanism and regulation by market mechanism; we should also insure that our plans accurately reflect the demands of the law of value.

Second, in the execution of their plans, the capitalist countries rely primarily on economic measures, economic policies, and economic legislation, and not on administrative measures. Their plans in general have the nature of guidelines, and not of orders. Thus they exercise a certain restraint on state-run enterprises and on relevant government departments. We should study and absorb their experience of using economic measures, economic policies and economic legislation, and we should pay even more attention to studying their financial and monetary policies, and certain of their policies in the fields of technology and economics, such as energy resources policies and environmental policies, as well as those policies which, like the anti-trust legislation, oppose monopolies, safeguard competition, and make use



of regulation by market mechanism, and we should do this in order to smash all kinds of economic blockades, and to strengthen and develop China's unified domestic markets.

Third, even though the capitalist countries, in drawing up their plans, cannot bring about the same overall balance which is achieved by socialist countries, nevertheless, in the areas of improving planning methods and strengthening economic intervention and the economic balance, they possess much experience from which lessons may be learned. Thus, in formulating the "Plan for the Doubling of National Income," Japan worked out a balance between reserves and investment, a balance between income and expenditure in finance, a balance between income and expenditure in foreign trade, a balance between individual income and expenditure, as well as the all-important balance between goods and materials. In the formulation of the "Medium Term Economic Plan" in 1965, a macroeconomic model was used which consisted of 300 equations and took into account 100 external variables. France also makes use of various kinds of models for economic calculations in drawing up its plans, such as material-finance models and models of the performance of many departments. Since the 1970's, the United States and other important capitalist countries, in order to coordinate certain international economic activities, have begun to construct international macroeconomic models, and are even integrating the economic models of various countries, to form a "global model." We should also study, and make selective use of, some specific methods adopted by the capitalist countries for the formulation of plans, such as, for example, their methods of starting up production, their various kinds of economic calculation methods, laws of comparative economics, optimization methods, and so on, with the aim of raising the standard of our planning work; at the level of individual economic units, economic accounting may be strengthened, and economic results improved.

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## NATIONAL POLICY AND ISSUES

### BEIJING ECONOMIC JOURNAL ON EMPLOYMENT PROBLEMS

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[Article by Feng Lanrui [7458 5695 3843] of the Marxism-Leninism-Mao Zedong Thought Research Center, China Institute of Social Sciences, entitled: "Six Aspects of the Problem of Employment"]

[Text] The employment problem is a social problem of great significance facing China at present, and it is also an important theoretical problem. By means of a multiplicity of plans, and by opening up all available channels, the party Central Committee and the departments concerned have, since last year, found employment for a large number of people. In order to better resolve this problem in the future, we must make further investigations on the basis of theory, general principles and policies, integrated with practice. This problem involves a wide range of aspects, and is relatively complicated. In this article, I shall only offer some rather superficial opinions of my own relating to the following six problems.

#### 1. Is It Possible To Eliminate Unemployment in a Socialist Society

Neither Marx, Engels nor Lenin provide a direct answer to this question. Nevertheless, from their various discussions, it becomes clear to us that, in the first stage of communism as envisaged by them, that is, the socialist society, the phenomenon of unemployment does not exist. Socialism came into being as the antithesis of capitalism, on the basis of the productive forces having reached a high level of advancement. In the socialist society, the means of production are owned in common by the whole society, all the members of society are the owners of the means of production, everyone has the obligation to work and the right to work and the phenomena of exploitation class, crises and unemployment do not exist. In dealing with the elimination of exploitation, Marx emphatically discussed the obligation to work; at several points in his writings he said that "every man must work." ("Complete Works of Marx and Engels," "Introduction to 'Wage Labor and Capital,'" vol 22, p 243) Marx also said: "The conditions of oppression existing at present should be eliminated by means of transferring all the instruments of labor to the producers, thus suiting every physical force to the working people, in order that they may work to insure their own existence." ("Complete Works of Marx and Engels," "In Commemoration of the Seventh Anniversary of the Formation of Communist International," vol 17, p 468) It is evident that (to a group of people such as oppressors and idlers) labor can even be an obligation which contains an element of compulsion.

In his writings, Lenin also discussed the obligation to work and the right to work. He summed up the socialist principle proposed by Marx in the phrase: "He who does not labor, does not eat." ("Complete Works of Lenin," "On Famine," vol 27, pp 365-366) In his essay "A Marxist Discussion of the State," after the sentence, "the distribution of consumer goods 'has a proportional relationship with' the amount of labor supplied to the society by each person—in the lower-class stage ('first phase')," Lenin used triple brackets to draw particular attention to the following: "This is also a form of compulsion: 'Anyone who does not work, does not have food to eat.'" (Lenin: "A Marxist Discussion of the State," People's Publishing House 1964 edition, p 33) What is stressed by these words is opposition to exploitation, and emphasis that labor is an obligation which must be fulfilled by everyone. Lenin also discussed the right to work. He said, "All citizens have the equal right to use the public means of production, publicly owned land and factories, and so on, in order to carry out labor." ("Complete Works of Lenin," "A Liberal Professor on Equality," vol 20, p 130) From this we can see that the socialist society envisaged by Lenin is similar to that envisaged by Marx and Engels, where the phenomenon of unemployment does not exist. Not long after the October Revolution, Lenin wrote an essay which dealt directly with unemployment. In it Lenin indicated that unemployment was caused by imperialist wars, and was not inherent in socialism.

Stalin bluntly stated that there was no unemployment in a socialist society, and moreover he held that the stage had been reached in which there was no unemployment. At the 16th Congress of the Communist Party of the Soviet Union in 1930, during the Soviet Union's transition from capitalism to socialism, Stalin said, "There are approximately 1 million unemployed in the Soviet Union," but that, under the Soviet system, the number of unemployed was being steadily reduced. He also said, "Up to the 30th April of this year, the number of unemployed had already been reduced by more than 40 percent." ("Completed Works of Stalin," "Political Announcement of the Central Committee of the CPSU to the 16th CONGRESS," vol 12, p 257)

By 1934, Stalin could announce, at the 17th Congress of the CPSU, that unemployment had already disappeared. "We no longer have any working people who are unable to find work, or who are unable to earn a wage." ("Complete Works of Stalin," "Summary of the Work of the Central Committee of the CPSU, Given at the 17th Party Congress," vol 13, p 297). In a 1936 report the draft constitution of the Soviet Union, Stalin said: "We now have a new socialist economy in which the occurrence of crises or unemployment, poverty or bankruptcy is not possible." ("Selections from Stalin," "On the Draft Constitution of the Soviet Union," p 85) In this same report, Stalin announced that the Soviet Union had already basically realized the first stage of communism as envisaged by Marx.

To summarize what has been said above, the views of the classic Marxist writers are basically in complete accord. In the first stage of the communist society, (that is, the socialist society), because the private ownership of the means of production has been abolished, and the public ownership system established, every worker has the right to use the publicly-owned means of production in order to carry out work, and, at the same time, has the obligation to work for society, and thus the phenomenon of unemployment can be eliminated.

In the initial period of China's liberation, there were 3 to 4 million people out of work, a legacy bequeathed to us by the old society. China's Government adopted

The methods of "providing for and helping ourselves through production," and "providing work as a form of relief," and had basically solved the unemployment problem within 3 or 4 years. During the period of construction covered by the first 5-year plan, all the previously neglected tasks were being undertaken, and large-scale basic reconstruction was in progress, so that there was no problem of people waiting to be assigned work. At the time of the "Great Leap Forward" in 1958, the strange phenomenon arose of there not being enough available labor. In the 1950's, China regarded herself as a state where there was no unemployment. By the 1960's, the problem was gradually becoming apparent, and we began to feel the pressure imposed by this employment question. After 1967, great numbers of educated youths, responding to the party's call, went out to mountainous and rural areas, with the result that the problem of those waiting to be assigned work was covered up under various policies and measures. In the last few years, because the capacity of the rural people's communes for absorbing labor has reached the saturation point, because a large proportion of the young people who went out to mountainous and rural areas have returned to the cities, and because industrial and mining enterprises in towns and cities are at present already overstaffed, as well as for other reasons, finding employment for laborers has become a social problem of the utmost importance. Last year, employment was found for 9 million people, through the positive efforts of the party and the government. Within a certain number of years, 6 or 7 million young people and students are expected to enter the ranks of those waiting to be assigned work every year. It would seem that another period of bitter struggle will be required to resolve the employment problem.

The reason for the existence of unemployment in China's society are complex. Below are some important aspects:

First, since the 1950's, China's population increase has been out of control, and has far outstripped the requirements of economic development for laborers. Over the past 30 years, our natural population increase has reached an average of as much as 20 per 1,000 while the world average proportional increase is 17 per 1,000 and that of the world's advanced countries is only 7 per 1,000; our figure is far higher by comparison. Moreover, the base figure for our population is very large, even though our proportional rate of increase is similar, the actual increase is higher than that of other countries. China's population has increased from 540 million people in 1949 to 970 million in 1979. During this period, having suffered from the disruption of the "left" deviationist line and from 10 years of great chaos, China's economic development had been brought to the verge of bankruptcy by the time of the fall from power of the gang of four. This is the fundamental reason for the existence at present in China's society of such a large number of people who are waiting to be assigned work.

Second, the implementation over the past 30 years of a highly concentrated overall management system, has not been advantageous for solving this unemployment problem. If we take the most direct system of labor management, then, under a highly concentrated system which is all-embracing, those waiting to be assigned work can only "wait" for assignment, they are not permitted to look for jobs. Unless one is able to "get in by the back door," he will have to wait for assignment; there is absolutely no other alternative. One cannot move to another area, due to the restrictions imposed by the relation between the number of households, the total



population and the food supply. It is even less likely that one can go to look for work in another place. No industrial or mining enterprise or institution is able to recruit personnel according to the requirements of its work tasks since norms are transmitted to lower levels by the labor departments, and personnel are assigned to work by the regional labor department in the place where they live, so clearly, enterprises are not permitted to recruit and employ qualified personnel wherever they can find them. The multitude of stipulations and restrictions give rise to the contradictory state of affairs where, on the one hand, many people do not have a profession and, on the other hand, many jobs remain unfilled. The widespread and serious nature of this situation where people have to wait to be assigned work, caused by the unsuitability of the system, is of no less significance than the problems described in the preceding paragraph.

Third, there is the situation in which people have to wait to be assigned work, this time caused by the too rapid transformation of the production relations. For many years, we have cut ourselves off subjectively from the real conditions of the productive forces, and have continually altered the production relations, striving to make everything "large" and "public," and have emphasized the transition of small collectives into big collectives; thus we have restricted and cut out the individual economy, to such an extent that some workers have drifted out of production to become an idle labor force in society. Moreover, this has cut off one newly perfected means of finding employment.

Fourth, there is the situation in which people waiting for work are in the process of selecting their occupations. Under the policy where the state ownership system is "an iron ricebowl," [meaning job security] people waiting for employment have necessarily chosen state run enterprises and over those of the collectives. Even if the salary is a littler lower, they still prefer to go to a unit under the state ownership system, rather than to one under collective ownership; still less do they wish to engage in individual labor. Some people also want to make a choice between all the different businesses and industries, and to choose between areas, which makes the period they spend waiting for assignment even longer.

Does the actual situation of the existence of a large number of people in China who are waiting to be assigned work contradict the Marxist theory relating to the elimination of unemployment in socialist societies? The answer to this question is negative.

After surviving rigorous trials and tribulations, China's socialist system has established its dominance. In the economic field, "the poverty and blankness" in resources, bequeathed to us by old China, has been radically altered, and independent, relatively complete systems of industry and national economy have been set up. However, because the resources bequeathed to us by the old China were, in the last analysis, too "poor" and too "blank," because we suffered, for a comparatively long time, the disturbances caused by the "left" deviationist line, and did not come firmly to grips with the central task of economic construction, and, particularly, as a result of the 10 years of great calamity caused by Lin Biao and the gang of four, for all these reasons, our present socialist system is separated by quite a considerable distance from the first stage of the communist society envisaged by Marx and Lenin, or from the "complete" and "advanced" socialism discussed by Lenin.



Under these circumstances, it is impossible both to guarantee full employment and to eliminate the phenomenon of people having to wait to be assigned work. On one hand, we must strive to solve the employment problem, and on the other hand we must realize that, in the present historical stage, the requirement of eliminating the wait for work assignment is excessive. We cannot make demands on the present which are based on the standards of the complete and advanced socialism of the future, and this applies to the employment problem as much as to any other. Naturally, this does not mean that the phenomenon of unemployment must necessarily exist in all countries in a stage of socialism which is still not complete or advanced. In fact, in some countries which are in a stage of socialism that is not yet complete or advanced, there is no unemployment at all, but rather a labor shortage. This is a point which is determined by each country's specific conditions, and on which generalizations cannot be made.

### 3. The Confusion of the Concept of Employment, Its Causes and Its Results

Although we admit that the phenomenon of having to wait for work assignment is unavoidable in China's present stage, this does not mean that we adopt a negative attitude to solving this problem. On the contrary, we are squarely facing up to this problem, so as to be able to conduct thorough research into its solution.

Last year, we found jobs for 9 million people throughout the country, which was a great achievement. However, it also brought to light several problems, and first among these was the confusion of the concept of employment.

What is employment? Many people would answer simply that employment is the provision of jobs within the system of ownership by the whole people and within large collectives, (such as big stores and big factories), which approximate the system of ownership by the whole people. However, many people would not wish to admit that finding jobs for people in small neighborhood collectives, or in cooperative groups, is also employment; even less would they be prepared to admit that employment can mean individuals finding a means of livelihood for themselves, practicing handicrafts or offering services in a small way, or starting up small capital business ventures, even though the people who do find work in these ways all have work to do, earn a regular income, and support themselves and their families. For instance, last year a large number of small economies sprang up in Wuhu Municipality, and among these was a company which sold only stewed duck, but which all the same had several hundred stalls, and involved more than 1,000 people. Some were partnerships composed of a few young people, while some were run by one person employing his entire family; the earnings of one person from this kind of business is enough to support 2 or 3 people. Last year, Wuhu had several thousand of these kinds of small cooperative groups, individual small retailers, and individual handicraft industries, all of them individually responsible for their own profits and losses. Between them, all the various businesses have all the goods one could hope to find. They sell a remarkable variety of goods, and offer a complete range of services. They are convenient for the masses, and represent a thriving market. The products of many individual manufacturers is also high; in Wenzhou, for example, some shops selling leather shoes have merged, but there are still 40 of them, concentrated along one street, whose products are in great demand in Shanghai. The production price of each pair of shoes is roughly 10 yuan, while the selling price is between 12-17 yuan.

These cooperative enterprises and individual economies have absorbed a very large number of people who were waiting to be assigned work, including a proportion of young people awaiting assignment, which has solved their own and their families' living problems. Nevertheless, from the social point of view, it is still not admitted that these people have found employment, and even they themselves do not admit that they have found jobs; rather, they are "waiting for jobs to be found for them." This situation is to be found in all areas, under different names; it is sometimes called "temporary assignment." There is another aspect to the problem, in that because some enterprises do not have specified production duties, "they are not producing enough goods to pay wages." As long as this fact is recognized by the government, it can still be considered to be employment. The situation of several so-called "neighborhood factories" in Wenzhou is of this nature.

Why was it possible for the concept of employment to become so muddled? First, this happened as a result of our employment system. For a long time, the labor force has been treated as a whole, and allocated in a unified manner to state-owned industrial and enterprise units or to state institutions, and so, in the course of time, the notion has developed that one only has proper work when one has been sent to a state-owned industrial or enterprise unit, and can thus hold out one's "iron ricebowl." Small collectives have no "iron ricebowl," nor any economic guarantee, and thus cannot be considered as supplying proper employment. As for individual labor, sometimes called "going it alone," it is always the object of reform and suppression, and of course cannot be considered proper work. Second, it was a result of the labor policies and methods of doing things which are in force at present. During the process of assigning jobs last year, some regions, in respect of the assignment of young people to employment in small collectives, made the stipulation that these young people should "not be prevented from entering a school of a higher level, not be prevented from enlisting in the army, and not be prevented from working in factories owned by the whole people," which was called by some the "preservation of the three rights of recruitment," (the rights enjoyed being, namely, to be recruited as a worker, to enlist as a soldier, and to enroll as a student); this was another cause for the confusion over the concept of employment. If, after they have been found employment, young people wish to enroll as students or enlist as soldiers, in accordance with the conditions, then naturally they may do so. After they have been found jobs in small collectives, or started themselves up in individual labor, it is no longer necessary for them to wait to be recruited for work in a unit owned by the whole people or in a large collective, or for them to be re-assigned to other employment. In fact, "the three things which must not be prevented," and "the preservation of the three rights of recruitment," do not admit that starting work in small collectives is employment. Third, the position in society of the small collective economy and the individual economy is low, and has no economic guarantee. The state has not given a systematic guarantee to the organizing, by people waiting to be assigned work, of various kinds of cooperative groups, co-operatives, and the supply of goods and materials under the individual economy, which will lead to it becoming impossible to keep up production, to sluggish business, to wages and material benefits becoming difficult to guarantee, to the people involved in this kind of business not being able to work without worries, and considering looking for employment in state-run units, and finally to the collapse of this kind of business. The case of the Bianmin restaurant, in the Chongwen quarter of Beijing, which has gained quite a reputation, is representative of this. This

small restaurant opened in April 1979, run by 7 young people; from the first, high levels attached much importance to it, it was supported by the leadership, and was supplied with wholesale goods and materials; its daily level of business reached 180 yuan, and many Chinese and foreign journalists covered it in their reports. Later, when the high point had passed, and the leadership no longer attached importance to it, the supply of goods and materials were no longer guaranteed, trade became slack, with daily sales of only 7 yuan. The business could no longer be continued, and the partnership had to be broken up. The people involved said, "a small collective is like a ricebowl made of paper—you can't rely on it." Before National Day 1979, 18,000 young people in this area had found jobs in various small collectives, but by January 1980, more than 4,000 of these had returned home for all kinds of reasons, and were once again "waiting to be assigned work."

The confusion over the concept of employment, as well as some shortcomings and problems in our systems and in our work, has brought us to the point where redoubled efforts in the provision of employment are yielding only very poor results, where small collectives cannot be consolidated, and where work assignment often has to be repeated, and it has also added to the difficulties of solving the unemployment problem. If we are to find an effective solution to the unemployment problem, the confusion over the concept of employment must be cleared up. It must be made clear that employment means not only going to work in a state-run enterprise or a large collective enterprise, but that it can also mean working in a small collective, or individual labor; the position of the small collective economy and of the individual economy in politics, economics, and in the public opinion must also be raised, for only then will the full potential of these economies be brought to bear in the work of providing employment for labor.

#### 4. The Policy of Employing Labor Through Overall Mass Allocation Must Be Changed

This policy has been in force for more than 20 years, and it is now time to weigh up its advantages and disadvantages.

In the past, we have said that, according to the socialist principle of the elimination of unemployment, China is a socialist country, and should not have unemployment. This was a misconception. It is true that we have established the dictatorship of the proletariat, and that China is now a socialist country, but our socialism is still at a not very advanced stage, and to demand the elimination of unemployment at this time is excessively leftist. Nevertheless, this is exactly what we did, under the previous leadership of the "left" deviationist ideology. We first of all gradually found employment for the unemployed bequeathed to us by the old society, and then absorbed the university graduates and technical secondary school graduates. By the time of the "Great Cultural Revolution," we were lumping together all senior- and junior-middle school graduates for unified assignment of jobs. We previously thought that it was in the superior nature of socialism that capitalist societies should have unemployment while we were free from it. At the time, this attitude had real attractions, but in the end the splendid illusion crumbled in the face of harsh reality. We should come to the sober realization that, because the level of the forces of production in our society is still very low, the policy of overall mass allocation of employment can only force us into a state of passivity, where we wish to do everything in a comprehensive way but are simply unable to do so.



As well as rendering the state passive, the policy of overall mass allocation of employment also has other disadvantages. First of all, it forces a great number of people waiting to be assigned employment to rely on the state for the allocation of jobs, making it impossible to bring into play their own initiative, enthusiasm or creativity. The solution of the unemployment problem is the responsibility of the state and of society, but it is also the responsibility of each individual awaiting job allocation. A young person is raised to adulthood with the support of the state and of his family, and so, when he has completed his education and enters society, he ought to learn a skill and set himself up in a profession for the benefit of society, and use his own intelligence and talents to the fullest extent, in order to find a livelihood for himself. Notwithstanding this, our state continues to take care of young people just as a nurse looks after a child, and will even look after them until they die, not allowing them to find professions for themselves, but only to accept the job assigned to them. This has cultivated a sort of dependency mentality among young people, so that they believe it to be the state's obligation to provide employment for them, and not only that, but that the state should assign them to the ideal job, and that they may refuse to take a job which is less than the ideal. Thus, the state's burden of responsibility has been made heavier, and the aspirations of youth are eroded. Under the system of unified state allocation, several million people have to be dealt with every year, which makes for a heavy workload, and makes it difficult to insure the appropriate allocation of jobs. Basically, it is not feasible for the abilities and interests of every individual to be considered, and so some areas have adopted the methods known as "wholesale allocation," [padui 2091 1018] or "dividing up the work and assigning part of it to each individual. As a result, the abilities of young people are not put to full use.

Second, the implementation of overall mass allocation of employment results in a lowering of quality among the rank and file of staff and workers. Each year in China the people who must be found work number in the millions; how can the state accommodate this huge army of people waiting to be assigned to jobs? On the one hand, the number of new positions which can be provided by the state is limited; on the other hand, the total amount of funds available to the state for raising of wages is also limited. Under these restrictive conditions, the greater part of the labor force has joined already existing state-run enterprises and large collective enterprises. These units were in fact already overstaffed, with 5 men doing the work of 3 and now, with the further addition of a large number of staff, 7 men are doing the work of 3, with the inevitable result that such bad habits as laziness, a lackadaisical attitude, an unwillingness to shoulder responsibility, and drifting aimlessly along from day to day have been engendered among workers and cadres, thus lowering the quality of the rank and file of workers.

Third, productivity has been sacrificed while implementing the policy of overall mass work assignment. Attempting to further increase manning levels in cases where 5 or even 7 men are already doing the work of 3 leads to serious overstaffing, inability to realize labor quotas, and a drastic reduction in labor productivity. This is a matter which merits serious attention. We should not forget Lenin's famous statement, that, in the final analysis, labor productivity is the most important guarantee of the victory of the new social system over the old. In order to make full use of China's great advantage in having a large population, we should of course develop labor-intensive enterprises, but the aim of these labor-intensive

enterprise is not simply to avoid a drop in productivity, but positively increase it. China's present productivity is low even among the undeveloped countries, and, if we do not now give our total attention to this situation and display great resolution in altering it, then we will not be capable of realizing the four modernizations and building socialism.

To summarize what has been said above, the policy of overall mass assignment of employment, as well as the corresponding highly concentrated overall management system, is clearly no longer capable of adapting to the circumstances of China's productive forces; it is slowly but surely strangling employment channels, and must be reformed and replaced by a policy in which the provision of employment through the labor departments, employment in voluntary organizations and finding a job for oneself are all integrated under the overall planning and guidance of the state.

#### 5. The Further Implementation of the "Two Choices"

Under the guidance of the new and relatively flexible employment policy described above, we envisage that it will be possible to implement even further the method of the "two choices," in recruitment procedures of state institutions and of urban enterprises and undertakings.

What are these "two choices"? To put it simply, they are the choice of the right man for the job by the unit requiring personnel, and the worker's choice of the right employment.

Since 1979, under the experimental rules and regulations for expanding enterprises decisionmaking power, enterprises may select the best man for the job when recruiting staff and workers, but under the policy and system of organization of overall mass allocation of employment, this type of selection in fact was not, and could not be put into practice. There is a strong consensus of opinion among units at the grassroots level that, if the overall mass allocation policy is not altered, the selection of the best man for the job by enterprises will just be so many empty words. There are many advantages to changing the policy of unified allocation of work, and allowing units with personnel requirements to select the best workers and staff for the jobs to be done. These are primarily to be found in the best utilization of human talents and abilities, the improvement of economic results, and the raising of productivity. If units requiring personnel give public notice of selection of applicants, and publish in advance the special features of the posts for which recruits are being sought and the conditions of employment then suitable candidates can apply for interviews. Prospective employers and candidates will then both have ample leeway in their choices. Both parties are benefited, since workers are allowed to make full use of their special skills, while the units obtain the workers they require.

In connection with the selection of the best man for the job by units requiring personnel, all units should be permitted to dismiss unsuitable workers and staff, and to reduce overstaffing. No social discrimination should be attached to workers and staff who have been dismissed or made redundant; they should rather be treated with the utmost solicitude by society. Society should arrange for them to receive professional training, and help them to find new employment; their living expenses may be paid by their original units for a certain period, and those who still have no new job after that period has expired may receive social security benefits.



If we are to put into practice the method of units with personnel requirements choosing the best person for the job, then we should strictly abolish the system whereby sons and daughters take over their parents' jobs when they retire. At present, this system is still in force, and it has many disadvantages. The practice among some workers, including technicians and skilled workers, of retiring early so that their children can take over their jobs has led to a widespread reduction of technical and professional levels among rank and file of workers. These workers always seem to allow the least highly skilled of their sons and daughters to take over from them, with the result that the replacement system has turned into a matter of "choosing the worst man for the job." There are also some people who take advantage of this kind of replacement to break the law and make a mockery of discipline. To summarize, if we want to put an end to all these corrupt practices, the replacement system must be abolished. In future, whenever a child of any worker starts work, he or she must undergo rigorous examinations to insure that his or her performance will be up to standard.

The choice of employment by workers means permitting workers, in whatever industry or enterprise, to select a post which allows him to make the best use of his own special skills and talents; it represents the point of-departure for the alteration by the socialist countries of the old distribution of labor where workers are set in a certain job for their entire working lives, and it is also an extremely efficacious means of bringing into play workers' special skills, of fully arousing the enthusiasm of the workers, and of promoting the realization of the four modernizations. As stated above, the system of unified allocation of work, which we have been using for all this time, is incapable of encouraging the special talents and interests of individual workers and, when one has been assigned to a particular job, the system provides very few opportunities for change. Some comrades compare this kind of labor organization to "Magistrate Qiao's arbitrary pairing off of people to get married," and say that it is grossly inappropriate for bringing into play workers' talents.

The vast majority of the people in China who need to be found employment are young persons around 20-years-old who have graduated from all kinds of schools and colleges. They are right in the middle of growing up; their interests change easily, the talents which they possess are not readily apparent, and some people are not always completely aware of where their own talents lie. Since this is the case, it is often not possible for these young people to make such a permanent decision on the choice of a career; they need to make several choices before they find a position which will really allow them to use their own talents and abilities to the fullest. If they are allowed to choose a career, then if the work is really not suitable they can give up that profession and find other employment. If things are done in this way, some people will find a job which will suit them for the rest of their lives, while others will need to "pick and choose" a few times before finding a suitable post, but, as soon as they are employed in a suitable position, their intelligence and skill will be able to reach their full effect in the service of the construction of the socialist motherland.

If the "two choices" policy is put into effect, the phenomenon of the mobility of labor will necessarily make its appearance. There is nothing to be feared in this. In other socialist countries, such as Romania and Yugoslavia, the labor forces all have mobility. The mobility of labor constitutes a regular pattern which is

unavoidable under the circumstances of the rapid development of modern science and technology. The advance of science and technology has increased the rate at which knowledge rapidly becomes obsolete, and things with which we are already familiar lose their usefulness, so that we must study anew; the development of science and technology mean an increase in the rate at which equipment is replaced and, if there are structural increases, then a section of the labor force will necessarily drift away. Under these two conditions, workers must receive new vocational training, and be employed in other industries, and this has only advantages, and no disadvantages, for the development of the national economy. So as to control the large-scale influx of labor from rural to urban areas, the flow can be limited to within and between towns and cities; that is to say, restricted mobility may be put into effect. If things are done in this way, there may be a little confusion at the outset, and many people may want to change their jobs, but basically, when the exchanges have taken place, things will become more stable again, and afterwards, when newly employed persons are allowed to choose their professions, there will no longer be any chaos. In order to reduce the amount of disruption, we can adopt certain measures, so workers' adjustments of their places of work can be carried out in a step-by-step way, and gradually bring the "two choices" to realization.

Some comrades are worried that permitting the mobility of labor may lead to instability of labor forces within enterprises, and that it may effect the raising of workers' proficiency levels and technological levels. I believe that this problem can be resolved through the method of introducing subsidies for long service in factories. This means using economic methods to insure that workers remain in the same job over a long period, instead of using the kind of administrative orders in effect at present. The popularization of the system of work contracts is a measure which must be adopted in order to put into effect the "two choices." On a voluntary basis, workers and units requiring personnel draw up work contracts, which may be renewed at the appropriate time or, if either party does not wish to renew the contract, both sides are free to make a new choice.

By putting into practice the "two choices," workers will subsequently and vigorously come to grips with cultural, scientific and technical knowledge, to gain professional proficiency, to enhance their practical skills, and to consolidate what they are already skilled in; the enthusiasm of the workers can be fully aroused, and the ideology of serving the people and of making contributions with one's talents and abilities to socialism can be cultivated. To sum up, the implementation of this method is sure to be highly beneficial for the rapid advancement of the task of socialist construction.

#### 6. The Reform of the Economic Structure and System Should Be of Benefit to the Employment of Labor

The unemployment problem is an important link in the total social economic system, and is not an isolated problem concerning only individuals. The solution of this problem, apart from directly requiring a correct employment policy and a complete system of powerful measures, also demands the coordinated reform of the economic structure and the system of economic organization.

For a fairly long time to come, with the aim of solving the unemployment problem, aside from the ability of the state-run industries and enterprises to absorb the amount of labor they require, it will be very important to write articles on the economy of cooperatives which take responsibility for their own profit and loss, and on the individual economy, and also on our policies to encourage the voluntary organizing of employment by the masses and individuals finding their own jobs, as well as supporting the development of the small collective economy and giving appropriate encouragement to the development of individual economy. That is to say that nonsocialist economies will be permitted to exist, under circumstances where the socialist economy holds a position of absolute dominance, to act as a helping hand and as a supplement to the socialist economy. This kind of social economic structure will be determined by the conditions of development of the productive forces in China's present stage. The many different levels of development of the productive forces will require the adaptation of many kinds of production relations. The socialist state-run economy will be adapted to large-scale production with relatively advanced technology and a fairly high degree of socialization; the collectively owned economy will be the one which is adapted to forces of production with a relatively low technological level, while small collectives and individual undertakings will be adapted to departments and businesses where the tools of production are backward, and which carry out mainly manual operations. Small collective cooperatives, small cooperative groups, and the individual economy possess widely ranging networks, and have the special feature of carrying out their operations in a vigorous way; thus their growth is advantageous for the increasing of production and for facilitating the lives of the people, and they are also of great value in that they absorb large amounts of labor, solving the problem of employment.

How the economic system currently in force can be reformed so as to make it beneficial for the employment of labor, is another big problem which needs to be resolved. In the development of the economy of cooperatives which are responsible for their own profits and losses, and of the individual economy, the first obstacle encountered is the lack of funds. A proportion of the funds required by the small economies can be raised by the organizations themselves, but whether the remainder can be secured through the support of the national banks in the form of credits, or whether state-run enterprises can be mobilized to invest their own funds or to conduct joint undertakings, these are questions which involve the state financial system and the professional scope of the banks, which need to be examined and tested. The second problem encountered is that of goods and materials. Once the small economies have begun to develop in a big way, simply to rely on the leftover and surplus materials of state-run enterprises will never solve the problem of the means of production. The question of whether or not to start up a market in the means of production involves the reform of the system of organization of management of goods and materials. In the third place, as far as marketing and prices are concerned, it is uncertain whether it will be possible to adopt vigorous policies, whether it will be possible for the small economies to do their own marketing, or entrust it to state-run stores; nor is it clear whether prices will be allowed to float somewhat, according to market conditions. Fourth, in respect of taxation, there should be a change in the method of applying to collectives and to the individual economy the high rates of taxation used in the case of joint state- and privately-owned enterprises; in cases of newly formed collectives and individual economies, taxes may be reduced or waived altogether, according to stipulations, but only where they are essential to the people's livelihood. After the implementation of the above measures, the



state will be able to regulate the growth of these economies by means of such economic mechanisms as credit, interest, prices and tax rates, to eliminate or reduce their indiscriminate nature. To this end, the state can consider guiding the economic activities of small collectives and the individual economy through specialized economic structures, by means of regular investigations of social production and of living requirements, and checking and analyzing market conditions, as well as through the constant scientific forecasting of the trends of economic development.

The unemployment problem involves all sorts and conditions of men, and the attention of the whole country is focused upon it. For a number of years to come, the solution of the unemployment problem will be a highly significant and arduous duty, but as long as we emancipate our thinking, liberalize our policies, and allow the initiative and creativity of the masses to play their full part, the gateway to employment will be opened wider and wider.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' DISCUSSES SOCIALIST COMMODITY PRODUCTION

HK060716 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 43-47

[Article by He Wei (0149 0251), department of economics, China People's University: "A Tentative Discussion of the Stages of Commodity Development in a Socialist Society"]

[Text] To find out what stage China's socialism has reached is of great significance for accelerating the four modernizations. During the democratic revolution, our people paid an extremely high price to find out what stage the revolution was at that time in order to set a correct general line for the party and direct the revolution to victory. After 1958, not having a clear idea about what stage our socialism has reached, we blindly wanted to "make the transition to communism." In so doing, we wrecked the social productive forces and the socialist system, and the tremendous consequences are known far and wide. To avoid committing the same errors again, we must earnestly learn how to correctly differentiate the stages in the entire development of socialism.

In recent year there have been many articles discussing what stage our society has reached. Some of them maintain that at present our nation is still at the transitional period from capitalism to socialism; some say that it is the stage of underdeveloped socialism, which will proceed to developed socialism; while others combine the stage of underdeveloped socialism with the transitional period and say that it is a stage within the latter; and so on and so forth. In my opinion, these remarks are neither clear-cut nor concrete in differentiating the various stages. To say that we are in a transitional period is misleading, for there is already an earlier transitional period from private to public ownership. Moreover, the transition from socialism to communism, and the whole socialist epoch, can also be called a "transitional period." So-called "underdeveloped socialism" and "developed socialism" describe more vividly our present situation of socialism, yet both terms, lacking a clear indication and stipulated quality, only raise an antithesis. Therefore some people claim that so-called "developed socialism" is actually socialism as envisaged by Marx and Engels. This shows that the term "developed socialism" needs elaboration.

Free competition and monopoly indicate the different stages in the development of capitalism; whereas the replacement of private by public ownership indicates the transitional period from capitalism to socialism. These indications have two points in common: 1) they fall into economic categories that are specific and allow

no other explanations; 2) they embody the characteristics of production relations of the stage in question, showing different stages in simultaneous social development. Bearing these principles in mind, I think that after socialist production relations have been established and before advanced-stage communism emerges, the entire period of socialism can be divided into two major stages: commodity socialism and product socialism. Commodity socialism means elementary socialism, an inevitable stage in socialist construction in economically backward countries. Product socialism means advanced socialism, that is, the socialism envisaged by Marx in the "Critique of the Gotha Programme" and by Lenin in this "Nation and Revolution". Since the appearance of Stalin's "Economic Problems of Socialism in the USSR," the advanced socialism envisaged by Marx and Lenin has been missed out in all political economics (the part concerning socialism). It has been maintained that commodity socialism can proceed directly to advanced communism. It seems that advanced socialism does not exist. In my opinion, this stage should be restored to coincide with the scientific assumption of Marx and Lenin.

That socialism has to go through a stage of commodity production development was not predicted by Marx and Engels. This is connected to what they said then, that "the communist revolution will therefore be no merely national one; it will be a revolution taking place simultaneously in all civilised countries, that is, at least in England, America, France and Germany." (Engels: "Selected Works of Marx and Engels," "Principles of Communism," vol 1, p 221) To them, the development of large-scale industries and formation of world market link the "civilised countries" close together, so that affairs in one country will have effects on those in another. When the proletariat revolt in one country, their counterparts in other countries will follow suit. Meanwhile, the capitalist class in these countries will jointly suppress the revolts. Therefore, socialist revolution must simultaneously take place in at least several "civilised countries" in order that the proletariat win. When the proletariat of these countries have seized power, "once society owns the means of production, commodity production will be eliminated and the rule of products over producer will also vanish. Anarchistic conditions within social production will be replaced by planned and conscious organising." (Engels: "Selected Works of Marx and Engels," "Anti-Duhring," vol 3, p 323) When different forms of ownership and commodity production cease to exist, and when planned direct product production and distribution is practised, individual labor will turn directly into social labor without any form of value. Marx clearly pointed out that "in a collective society where common ownership of the means of production is the foundation, producers do not exchange their own products. Here, the labor consumed in product production is not expressed in the form of the value of the products, nor the kind of material they are, for now, contrary to capitalist society, individual labor no longer passes along winding paths, but exists directly as constituents of overall labor." (Marx: "Selected Works of Marx and Engels," "Critique of the Gotha Programme," vol 3, p 10) According to Marx's statements, the basic economic features of his socialism are: 1) society owns all means of production; 2) products replace commodities; 3) planned production for the whole society replaces the anarchistic situation; 4) individual labor directly becomes social labor. Meanwhile, apart from implementing "distribution according to work" with labor certificates, Lenin also thinks that although class does not exist at this stage, the nation's role to protect "the rights of the capitalist class" should continue. These features are not related in any way to commodity, some are even contrary to it. This stage of non-commodity socialism has not arrived yet.



Towards the end of the 19th century, capitalism entered the stage of imperialism. Under new historical conditions, Lenin arrived at the conclusion that socialism would first be victorious in one country. Under the guidance of this theory, Russia first won victory in the October Revolution, with the proletariat seizing power. While the means of production became state-owned, Lenin intended to implement the socialist principles expounded by Marx and Engels, but it was a mistake to do so. Lenin says that "we expected—or perhaps it would be truer to say that we presumed without having given it adequate consideration—to be able to organize the state production and the state distribution of products on communist lines in a small peasant country directly as ordered by the proletarian state. Experience has proved that we were wrong." (Lenin: "Selected Works," "Fourth Anniversary of the October Revolution," vol 4, p 571) The error lies in confusing the different stages of socialism and trying to replace commodity production and exchange with direct product production and distribution. Consequently, the Soviet system faced a crisis and the worker-peasant alliance the danger of a breakup; a new economic policy had to be practised in which trade was allowed and became a central link in entire work. As Lenin said, "At the present time, in the sphere of activity with which we are dealing, this link is the revival of home trade under proper state regulation (direction). Trade is the 'link' in the historical chain of events, in the transitional forms of our socialist construction in 1921-22, which we, the proletarian government, we the ruling communist party, 'must grasp with all our might.' If we 'grasp' this link firmly enough now we shall certainly control the whole chain in the very near future. If we do not, we shall not control the whole chain, we shall not create the foundation for socialist social and economic relations." (Lenin: "Selected Works," "The Importance of Gold Now and After the Complete Victory of Socialism," vol 4, p 578) To Lenin, commodity alone is the "only possible economic link between the scores of millions of small farmers and large-scale industry." (Ibid., p 579) This shows that Lenin did not stick to Marxism as a rigid, written theory; he applied and developed it according to the actual situation. As he said, "Communism and trade?! It sounds strange. The two seem to be unconnected, incongruous, poles apart. But if we study it from the point of view of economics, we shall find that the one is no more remote from the other than communism is from small-peasant, patriarchal farming." (Ibid., p 578) Practise proves that Lenin was correct. Vigorous trade enabled the economy to recover and develop and the worker-peasant alliance to consolidate its foundation, so that the first socialist country survived her difficulties.

Russia's experience during her transitional period revealed the necessity of commodity production at that time. It was richer and more concrete than the transitional period discussed by Marx and Engels. However, what has not been thoroughly resolved either in theory or in practise is whether commodity production still exists when the transitional period has ended and socialist production relations have been established.

In his "Economic Problems of Socialism in the USSR," Stalin affirmed the necessity of commodity production in a socialist society and the still important effects of the law of value. Thus Stalin further developed Marxist-Leninist political economy. However, Stalin's discussion was not thorough and at time self-contradictory due to mixing up commodity socialism with product socialism and guiding and administering commodity socialist economy with theories of product socialism. As a result, the national economy developed slowly along a long and winding path and the superiority of the socialist system was not brought into full play.

In fact, as Lenin further developed Marxist scientific socialism, political economy should have developed at a similar pace, so that the two could have been in accord. Lenin's theory of socialist victory in one country often materializes in economically backward countries. One of the basic reasons for the backward economy of these countries lies in their undeveloped commodity production. When the proletariat have won the revolution, their first task is to develop the productive forces. It has been proved by practice in socialist construction that this can be done only by keeping commodity production and exchange. The development of commodity production marks the development of social productive forces. Meanwhile, the development of commodity production promotes division of labor in society, which in turn strengthens cooperation, fosters the socialization of production, sets a material foundation for the socialist system and enables public ownership to develop in large-scale production. Hence only through the stage of commodity socialism can these countries reach the stage of product socialism envisaged by Marx and Engels. To distinguish these stages in theory is a task in political economy. Only this distinction and correspond in theory with Marx's scientific prediction and in practice with Lenin's theory of socialist victory in one country, so that theory is united with practice.

Actual conditions reveal the main features of commodity socialism as thus: first, each enterprise is a relatively independent commodity producer, which has autonomous economic management within the scope of the nation's plan, guidance and policy; second, each enterprise produces commodities which the nation cannot allot, and the law of value has a regulatory function in the fields of production and circulation; third, allowing prices to float freely within a certain scope (according to Samuelson, a well-known American economist, "there has never been a pure, 100 percent self-regulatory enterprise system, although Britain in the Victorian era came close to it. In the present system, the government plays an important role in the application of the price regulation system." (From "Economics" vol 1, Commercial Press 1979 Edition, p 27) Socialist countries certainly interfere much more in pricing than capitalist countries do, and so a pricing system and policy is formed.) And protecting justified competition so as to encourage progress and eliminate backward enterprises step by step; fourth, each enterprise is an independent accounting unit that assumes sole responsibility for its profits and losses, it covers its expenses with its own incomes, pays taxes and differential income to the state, pays wages to its staff according to its income and staff labor, and allows a certain degree of floating while guaranteeing basic incomes. Apart from the above expenses, the enterprise must have surplus for reproduction and staff welfare. Only in this way can the enterprise become a relatively independent commodity producer and its incentive and initiative be brought into play.

However, in our socialist economic management in the past, the two stages were confused. Commodity socialist economy was administered with the principles of product socialism. Conflict appeared both in theory and in practice. The separation of theory from practice was chiefly reflected in the blind pursuit for an ownership that was the bigger and the more public the better, and in another blind pursuit for a highly centralized instructive plan to include supply, production, marketing, manpower and capital in the national plan, so that an enterprise could not act on its own and was completely fettered. All this was contradictory to the demands of commodity production. In theory ownership by the whole people and highly centralized plans mark the superiority of the socialist system. We said ownership by the whole people was the economic basis for planning and management, but we totally ignored

the restriction of socialization of production on planning. Whenever we had to "strengthen the plan," the central authorities would immediately have the say over the administration of an enterprise. To promote collective ownership economy, we carried out programs like "transition in a state of poverty" in villages and "upgrading" and "merger of factories" in the cities. We discouraged household sideline production and private plots in much the same way as we cut "the capitalist tail." Ignoring the degree of socialization of productive forces, insisting on adopting the above measures, including all production and circulation in a unified national plan, and administering the economy with the principles of direct product production and distribution--these measures violated objective economic laws and encountered all kinds of insurmountable obstructions in reality. Since we neither understood nor recognized economic laws, we could only rely on administrative means to mix nonsocialization with different forms of ownership together by force, and carry out unified plans to replace commodity production and circulation. This was indeed feudal separatist rule in the absence of feudalism and guild administration in the absence of a guild system, both of which retarded the development of commodity economy. It was so-called "rules and regulations" in management. Under these conditions, such phenomena as bureaucracy, subjectivism, wrong orders, low efficiency, poor economic results and appalling waste were bound to occur. All this was due to the confusion of the two stages: commodity socialism and product socialism. From now on we should confirm that the present stage is one of commodity socialism. In making long-term plans, we should take developing commodity production as the central task. What does not meet the demands of the development of commodity production should be regulated and reformed.

There is a clear distinction between commodity socialism and capitalism. Here we practise public ownership of the means of production and distribution according to work: the scope of commodity is narrowed down, the means of production cannot be sold to the individual, the capitalist is absent from commodity exchange, and the aim of production is to satisfy people's material and cultural needs. As the overall economic development is in tune with the plans and policy formed by the state according to economic laws, it can avoid chaos and economic crisis. The above account explains the intrinsic economic differences between commodity socialism and capitalism. The two must not be confused.

Commodity socialism and product socialism have many points in common: in both of them the means of production is publicly owned and distribution according to work is practised. All economic laws of socialism are effective in both stages. Due to some differences in economic conditions and the level of productive forces, the economic laws have different effects in various fields. Take public ownership as an example, in product socialism it is all-society public ownership, whereas in commodity socialism it is otherwise. In both stages, distribution according to work refers to the distribution of individual consumer goods, but in commodity production this is done through commodities and currency, whereas in product socialism it is done through labor certificates. The basic economic laws are effective in both stages, but in product socialism, society's aim of production is realized directly through the use value of products, whereas in commodity socialism it is through "commodity as equivalent to use value" and "uniform value." If either one of the two commodity factors is not realized, the whole commodity exchange cannot take place either, and eventually the socialist aim of production cannot materialize.



so the two are united. The old theory that the aim of socialist production is equivalent to use value and that only the aim of capitalist production is value is now not totally correct. It is right to say that the aim of socialist production is not for surplus value. Yet in this situation where commodity production exists, it is not theoretically justified to say that use value alone is the aim of social production. Commodity itself is value and use value combined. Measures like one-sided pursuit of quantity of products and not budgeting for production costs and economic effects are unrealistic. In agriculture, our attempt to "get tons of output from fields" only resulted in poverty-stricken production teams with high production; in industry "tonnage-ism" caused enormous accumulation and waste. Both were disastrous effects resulting from negligence of value and the concept that the aim of socialist production is use value alone. This is an inevitable outcome when the two stages of socialism are mixed. In this way, the method to implement the aim of product socialism was wrongly applied to commodity socialism, and so what was done was not in tune with actual economic conditions.

In commodity socialism, the entire national economy is planned, but this plan cannot work without value law, and it is not carried out directly as in product socialism. Direct planning in product socialism is antithetical to value law, and planning in commodity socialism is done through conscious application of the value law. Some people regard planning and value law as antithetical. This is because they negate the difference in carrying out plans in commodity socialism and product socialism. They also negate value law and planning in commodity socialism with planning in product socialism. One feature of economic planning in commodity socialism is utilizing value law in a planned way. Under capitalist private ownership, value law has two effects: on one hand it spontaneously regulates the balance of social production, and on the other it causes competition and anarchistic production. In the past discussions on the effects of value law under socialist conditions, the regulatory function was totally refuted. Now we should give full play to value in this aspect, and overcome the resulting imbalance. Why can't we apply value law in the same way as we do water and electricity, adopting its merits and avoiding its harms? Under socialist conditions, we can certainly make conscious use of value law and leap from the realm of necessity to that of freedom. For this we should do well at least in the following three tasks: first, the state should make long-term plans, forecast economic development, publicize control figures and provide economic information in order to guide and influence enterprise production; second, through concrete measures, the state should regulate social production and circulation with such economic levers as pricing, taxation, bank loans, interests and wages, so that enterprises, in considering their immediate economic benefits, will obey the demands of state plans; third, through economic legislation, we should use compulsory means to force enterprises to follow state plans. In this way, we can basically overcome anarchism in social production and develop national economy in a planned way. One feature of economic planning in commodity socialism is conscious application of value law; that of product socialism is direct planning. At present some capitalist countries are making plans to interfere with their economy by means of pricing, interest, taxation and wages. Is this similar to our planning for commodity socialism? The answer is no, for in capitalism there exist various financial groups which control the making and implementation of economic policies. As a result, the capitalist case is limited in scope and planned development for the whole social production is impossible.

In socialist construction in economically backward countries, only through commodity socialism can we reach product socialism, and only then will commodities vanish. The conditions for socialist product production are different from those for public ownership and division of labor in society. The development of product production will lead division of labor in society to specialization. Specialization will provide conditions for automation in production. The latter demands a higher level in science and culture from the operator. With the old society's gaps in labor division drastically narrowed down and labor time shortened, conditions for overall development for mankind will be created. The development of division of labor in society will bring the departments and enterprises to closer interdependence and inter-restriction. Especially with automation, different forms of public ownership will make the transition to ownership by society, and the development of production relations will adjust to the socialization of production procedures. With the development of production relations, some commodities will gradually withdraw from the stage of history and will even be replaced by products. This will be the coming of the socialism envisaged by Marx and Engels, that is product socialism.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU': ISSUES OF PUBLIC OWNERSHIP UNDER SOCIALISM

HK070734 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 48-52

[Article by Mei Xingbao [2734 5281 0202], student of agricultural economy, 1978 the Chinese People's College: "Discussion of Marx's and Engel's Conception of Public Ownership Under Socialism"]

[Text] In this era, public ownership under socialism is not only a matter of basic theory but also an important practice in China. The work being undertaken in our country to restructure the ownership system is in fact a demand made by the productive forces of the present stage on the relations of production. But some people held that the restructuring work is against Marxist theory about socialist public ownership and they even regard it as "a big step backward." Consequently, some regions and units are not clear as how to carry out readjustment work and they are at a loss how to do it. Now the question is: is the public ownership we have formed in line with the socialist public ownership that was assumed by Marx and Engels? And what is the difference between our socialist public ownership and the one they imagined? What is the structure of the ownership that we should have today? It is very important to make these questions clear to guide our practice of the economic restructuring and in developing our national economy as a whole.

#### I

The socialist public ownership assumed by Marx and Engels was based on the supposition that socialist revolution must simultaneously succeed in several or all advanced capitalist countries. And with capitalist industrialization, the social productive force of these countries will develop to a higher level. In addition, the socialist public ownership imagined by Marx and Engels is public ownership under communism. Marx explicitly pointed out: "Scientific socialism will only apply when it is contradictory to utopian socialism." (Marx: "Selected Works of Marx and Engels, "Abstract of 'The State and Anarchy' by Bakunin" vol 2, p 638) In fact they regarded socialism as synonymous with communism, so as to differentiate and compare scientific socialism with utopian socialism. They used different names under different situations just in order to conform to the habit at that time. Therefore, the contents and forms of socialist public ownership or communist public ownership have in general the following features:



First, this public ownership is unitary ownership by the whole society with unitary structure. According to Marx's and Engels' imagination, public ownership in both the lower and higher stages of communism means that the means of production belong to all members of society. Engels said: "There are only two forms of possession of the means of production...either individual possession...or public possession."

"Socialist interest does not defend individual possession but will abolish it because public possession is impossible in places where individual possession still exists;" therefore, "it is better to say that the task of socialism is to hand the means of production over to the producers as their public possession." (Engels: "Selected Works of Marx and Engels," "The Problems of Deutsch Farmers" vol 4, pp 302-303) By "public possession" Engels meant possession within the sphere of society. That is to say, all members of the society are the owners of all means of production. Direct combination of laborers and the means of production becomes the basis for the form of social production. This form will also become the social production form in the lower stage of communism.

When the proletariat had just seized political power, Marx and Engels held that the relations of ownership of the means of production would take the form of ownership by the state. They said: "By using their own political power, the proletariat step by step seize all the capital of the bourgeoisie, and concentrate all production tools into the hand of the state that is composed of the ruling class to increase as soon as possible the total capacity of the productive force." (Marx and Engels: "Selected Works of Marx and Engels," "Manifesto of the Communist Party," vol 1, p 272) Experience has proven that following the seizure of power by the proletariat, it is imperative to use the form of ownership by the state, but this form alone is not enough.

In his late years, Marx imagined that in the countries with peasants as the majority or in places where, unlike Britain, the peasants are not replaced by farm laborers, "the proletariat will, on behalf of the government, take measures to directly improve the conditions of the farmers so as to draw them over to the side of the revolution. From the beginning, these measures must promote the transition of private land ownership to collective land ownership so as to enable the peasants to realize this transition through economic way. But measures that would offend them must not be taken. Such measures include abolishing the right of inheritance or ownership by the peasants." (Marx: "Selected Works of Marx and Engels," "Abstract of 'The State and Anarchy' by Bakunin" vol 2, p 635) Engels also pointed out explicitly that "during the whole transitional period to communism, we must undertake large-scale cooperative production as an intermediate link. Marx and I have never been sceptical about it." (Engels' "A Letter to August Bebel, 20-23 January 1886" and "Letters on 'Capital' by Marx and Engels" p 470) In declaring their imagination both Marx and Engels had already expounded the theory about the transitional period. Therefore it can be seen that their imaginative collective ownership only referred to a form of the ownership of the means of production during the transitional period from capitalism to communism in countries with small-scale farming by individual households as the main business. They did not regard this ownership as public ownership under socialism at the end of the transitional period. On the contrary, they held that this ownership would be replaced by state ownership at the end of the transitional period. Therefore, according to their imagination, there is only one form of possession during the first stage of communism, and this form is socialist public ownership. They also regarded the more by the state to possess the

means of production as the first but final independent measures. Thus consequently, following the elimination of the state, ownership by the state will be replaced by ownership by the whole people in the period of higher stage of communism. Thus such a unitary structure of ownership does not totally accord with the reality in our country.

Second, the socialist public ownership assumed by Marx and Engels is regarded as opposite to the capitalist private ownership that emerged as a result of highly developed productivity. Such ownership highly accords with socialized mass production. After the formation of the imaginative socialist public ownership, anarchic social production will be replaced by social and systematic readjustment of production according to the need of society and all its members. Thus, "after that, they will consciously create their own history; after that, the role of social causes motivated by the people will achieve ever-increasing expected results in the main aspects. This situation means that the realm of necessity of mankind leaps into the realm of freedom" (Engels: "Anti-Duhring," People's Publishing House, 1970, p 280) Consequently, the establishment of this type of public ownership will constantly promote the material and technical base of communism, greatly raise people's cultural standard, help form a unified and systematic national economic system and gradually realize modernized production that is carried out in a planned way and that belongs to the whole of society, including urban and rural areas. Members of society in general take part in management, all the laborers are equal in the relations of production and they are all owners of the means of production in the whole of society. Therefore it is necessary and possible under the basis of such productive forces to arrange the means of production in a unified way within the sphere of society. The form of exchange of commodities is no longer necessary. But with one level of productive forces, such situation cannot be realized in our country at the present stage.

Third, the socialist public ownership imagined by Marx and Engels stressed that laborers must directly combine themselves with the means of production. In addition, laborers cannot in other forms (such as representing a private owner of the means of production) take part in social production except through his own labor. This situation constitutes an indispensable part of the entity of the ownership. Engels said that all the means of production of a society "can be possessed and made possible only when the material conditions for such possession is ready," and when production develops into this stage, "the possession of the means of production by a certain particular social class and the political control, educational monopoly and spiritual leadership by this class is not only unnecessary but will become an obstacle to economic, political and spiritual development." (Engels: "Anti-Duhring," the People's Publishing House, 1970, pp 278-279) In short, it is only the labor of the people and nothing else that can supply them. In addition, with the exception of personal means of consumption, there is no personal property. Thus small commodity producers, individuals, laborers and the laborers of the units with collective economy who take part in social production as laborers and at the same time are also the owners of the means of production will not exist under the socialist public ownership imagined by Marx and Engels.

## II

It is clear that the public ownership imagined by Marx and Engels differs very much from the public ownership that we have formed both in content and form. In particular, their imaginative public ownership is contradictory in some aspects to the structures of our present public ownership. If we treat the conclusion made by Marx and Engels at that time as dogmatic and use it to measure the ever-developing social phenomena of today, then the contradiction between the theory and practice will never be resolved.

Marx and Engels lived in the era when capitalism was on the upsurge. At that time, free competition had not completely developed into monopoly and various contradictions of capitalist countries had not developed so sharply, while productivity and the relations of production were still developing. Therefore, the conditions for socialist revolution were not mature in the middle and late 19th century. Marx's and Engels' greatest contribution was that they expounded the law of the emergence, development and extermination of capitalism and predicted the historical trend in which capitalism will eventually be replaced by socialism. We can in no way regard every sentence and every imagination of Marx and Engels as a panacea for solving actual problems. With the development of capitalism, many new situations that were beyond the imagination of Marx and Engels have appeared today. These situations, which require new theories to sum up and explain, are even contradictory to their imagination. In particular, out of their imagination, these situations have appeared in socialist society in Eastern countries decades after they passed away.

Therefore it is quite understandable that when Marx and Engels viewed their imagination of socialism, the concept of scientific socialism was only shared by a few workers and intellectuals with consciousness and it was yet to be realized. It was only in the late 19th century and early 20th century that capitalism developed from free competition into monopoly to become imperialism. Under the role of the law of unbalanced development of imperialist politics and economics, the proletariat broke through the weakest point of the front of imperialism and first won socialist revolution in backward countries in Europe and Asia instead of in advanced capitalist industrialized countries in Western Europe and North America. Thus such conditions have determined that the features of socialist public ownership in the present stage in our country differ in content and form from that imagined by Marx and Engels. The standard of our public ownership cannot be as high as imagined by them and it cannot take a single form. Therefore, we must bear in mind that our economy largely consists of small peasant economy with weak foundation. Consequently, the form of our ownership must accord with the situations of our country.

## III

Concretely speaking, although Marx's and Engels' imaginative socialist public ownership differs in many aspects from reality in our country, their stand, viewpoints and methods in studying the relations of socialist public ownership still remain a guide for us in studying our public ownership in the present stage.

Marx and Engels persisted in the doctrine that everything has two aspects in investigating the contents and forms of ownership from the angle of law and economy.



They defined from the angle of law that the forms of ownership belong to the relations of will. What is more important, they defined the forms of ownership from the angle of the relations of economy. They pointed out: "In private law, the existing ownership is the result of general will." (Marx and Engels: "Selected Works of Marx and Engels," "Ludwig Andrias Feuerbach," vol 1 pp70-71, 74-75) But "to investigate things merely from the angle of relations of will, they are not things. When these things are independent of the right (a relation which is termed as concept by philosophers) during exchanges, they then become things. That is to say, they are real property. By defining the right as legal imagination, then when the relations of ownership further develop, it will result in such situations in which some people will enjoy legally the right of possessing some things but in fact they do not possess them. For example, because of competition, some pieces of land are no longer available for leasing. But legally, the owner of these lands still has the right to possess, use and even indiscriminately use these lands. Such right is in fact useless to him. As the owner of the lands, he has nothing provided that he has enough capital to operate the lands." (Marx and Engels: "Selected Works of Marx and Engels," "Ludwig Andreas Feuerbach" vol 1, pp 70-71, 74-75) Such an explicit explanation shows that the forms of economic relations are in fact the nature of ownership. To possess is not for the sake of possession itself but for realizing certain economic interests.

Marx and Engels also persisted in investigating the relations of ownership from the angle of its development. They held that the possession of the means of production by members of society was caused by different levels of the development of productive forces in different periods. "Such possession is first restricted by the things that are to be possessed. It is also restricted by the total development of the things themselves and by the productive forces that exist only within the sphere of exchanges in general," and at the same time, "such possession is also restricted by the individuals who possess" and "restricted by the forms that are taken for possessing." (Marx and Engels: "Selected Works of Marx and Engels," "Ludwig Andrias Feuerbach" vol 1 pp 70-71, 74-75) That is to say, the relations of public ownership imagined by Marx and Engels eventually show stages of development from immaturity to maturity.

According to the above mentioned viewpoints of dialectic and development and the principle often expounded by Marx and Engels that the relations of production that must accord with productive force, we can decide which relations of ownership are advanced and which are backward. Accordingly, we can also properly sum up the rational structures of our present ownership and the basic features of our public ownership.

Our public ownership has been formed on the basis of a backward, semi-feudal and semi-colonial economy. Under this ownership system, each laborer is an owner of the means of production. But compared with advanced countries, the means of production such as machinery and production tools that are possessed by each laborers are of poor quality, small quantity and low efficiency. Furthermore, these means of production are possessed by various nationalities, regions, departments or by various enterprises of a department and they differ very much from each other. They range from advanced and automatically-controlled equipment of the 1970's to ploughs of the Middle Ages.

The owners themselves have low cultural and technical levels. They cannot choose their job by totally depending on their talent and knowledge, and there exists a big gap between manual laborers and mental laborers. The form of the combination between laborers and the means of production is still characterized by the old social division of labor that generally exists. They can only engage in one professional job for the rest of their life. Material production conditions have become an obstacle for them to display their talent, that eventually cannot fully develop. Labor has become an individual method of livelihood. Thus material incentive is necessary to make use of the talent of laborers. All these are decided by the level of the present productive force which is characterized by low level and many duplications. Hence it is imperative to have ownership with different structures. That is to say, our ownership is composed of the economy of public ownership as the main thing and individual economy as a supplement. The economy of public ownership includes various forms of business and various structures of ownership. Thus in order to develop production, different laborers of different economic units possess different means of production and attain different economic results. But in the past, we had only two forms of ownership—ownership by the state and the collective ownership. In such a situation, the possession of the means of production met many restrictions objectively and subjectively. As a result, the possessors could not gain proper economic interest and they were not interested in production. Thus this kind of structure of ownership seriously hampered the development of productive force and it must be restructured at once. This includes restructuring and reorganizing the subordinate relations of enterprises. For example, the enterprises that do not have enough materials, that have lost money in successive years and have long been uncompetitive must be resolutely closed down, have their production suspended, be merged or turned to other production. On the other hand, some state enterprises may be turned into collective enterprises with sole responsibility for their own losses or profits. Practice has proven that small state enterprises in many places have made multiple profits after they were turned into collective enterprises. Similar measures must be taken in agriculture according to specific conditions, and relevant policies must be relaxed so that rural economy can further develop. The method of fixing farm output quotas for each household has been introduced in many remote and mountainous regions that have consequently become prosperous. In short, ownership must have different forms of structure and various enterprises must be allowed to develop through competition.

Our economy is mainly composed of the economy of ownership by the state. The enterprises under this ownership must carry out the principle of material interest, pursue economic results and carry out economic accounting. The collective economy remains an important part of the public economy and in general the economic organizations of this economy are small in the size of their business but have enormous labor force. In addition, the laborers of these enterprises are directly combined with the means of production in a smaller field. Therefore such enterprises can more easily attain visible material interest and are most suitable for carrying out manual labor as their main task. Such enterprises must get support from the state so that they will develop more rapidly.

As mentioned above, it is not enough for public ownership at the present stage just to have two forms of structure. In the work of restructuring our economy over the past 1 to 2 years, there has appeared a new form of the collective economy—ownership by joint ventures. This economic ownership differs from the features of both

ownership by the state and collective ownership. Such joint ventures are composed of many enterprises with different (they may also be of the same) ownership. Such organizations are set up under the principle of voluntariness and mutual interest to meet the need of objective economic law so as to accord with the need of socialized and specialized production. Joint ventures will help various regions, departments and enterprises display their economic and technical advantages and enable the enterprises to display their advantages, overcome disadvantages and complement each other. Thus on the basis of the existing labor force and materials, these enterprises change the forms of their business and reorganize labor force to attain higher profits than from individual operation, and enable the laborers to achieve more economic interest under the same amount of the means of production. Concretely speaking, ownership by joint ventures is divided into the economy of the enterprises with public ownership, and joint economy of China and foreign countries. The former is composed of the enterprises that broke through the limit of regions, trades and ownership, while the latter is the economy composed of our and that of other countries. As joint ventures are at present mainly undertaken between our country and capitalists of advanced capitalist countries and regions, therefore this economy can be called state capitalist economy.

In addition to the forms of public ownership mentioned above, there also exists individual economy, which is helpful in enlivening the markets, and complements the economy of public ownership; it will continue to exist for a long time to come. After socialized and specialized production has developed, this individual economy will automatically combine itself with the economy of public ownership. Therefore it is not necessary for the state to take forcible action against such economy.

Practice in economic construction over the past 1 to 2 years has proven that the existence of various forms of the structure of ownership is in line with the level of our productive force. Such relations of ownership have greatly developed productive force and enabled many trades and enterprises to develop very rapidly. So the criterion for judging whether the present structure of the ownership is rational and whether the nature of the public ownership by enterprises is backward is not the subordinate relations, neither is it the degree of public ownership. The only criterion is to see whether the present structure of ownership accords with and promotes the development of productive force and brings more and more material interest to the possessors of the means of production. The work to make the structure of the present ownership flexible and the work of the readjustment of the subordinate relations of the means of production is a move of advance, not retreat. On the contrary, if we disregard both the level of productive force and the economic interest of the possessors of the means of production and carry out the so-called revolution in the relations of ownership, such a "revolution" is a step backward historically even if it helps to increase the degree of public ownership and brings about a unitary structure of ownership. Under the slogan of seeking things "large in size and collective in nature," the relations of ownership constantly "made the transition under poor economic conditions" after 1958. Measures were also taken to upgrade ownership, but such measures in fact ran counter to the Marxist principle that the relations of production must be in line with the nature and level of productive force.

The various forms of the present relations of ownership will still be readjusted in future so as to enable them to accord with the development of production. But this readjustment will not follow the past experience of making the transition from



small collective to big collective and from collective ownership to ownership by the whole people. At present, it is unsuitable for us to set up many big enterprises with state investment. On the contrary, we must go all out to develop the economy of joint ventures. This economy will eventually unite into many trusts in competition; and these trusts will further promote the union that will gradually develop into a unified economic organization of the whole country and the whole people. Thus a communist society will emerge on the basis of a highly developed social productive force.

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[Article by Wu Jiapi [3527 1367 1014] of the Economic Research Institute of the Chinese Academy of Social Sciences: "Questions Concerning the Study of Quantitative Economics"]

[Text] What we call the study of quantitative economics refers to the study of the quantitative expression, relations and changes of the economy, the study of the relevant laws, as well as the study of the requisite tools for analyzing economic quantities (mainly methods of economic mathematics). Marxist economics always pays great attention to the quantitative study of the economy. In the current construction of socialist modernization, to pose the study of quantitative economics as a problem is of great significance to the development of economic science and to raising the standard of our economic work.

I

The following phenomenon in real life evokes deep thought: on one hand, in economic work people often pursue quantity at the expense of quality, but on the other hand, in economic research people often do qualitative analysis alone without paying attention to quantitative analysis. These two facts appear to be contradictory trends, but actually they are inherently consistent. Quality and quantity constitute a dialectical unity, but at different times or places or under different conditions, the means and effects of a transition from quantitative change to qualitative change or from qualitative change to quantitative change do not remain absolutely unchanged. In actual economic work, when we fulfill a certain quantity, we also need to develop science and technology, raise the standard of management and so on in order to further improve the quality. In theoretical economic research, to conduct quantitative analysis in addition to basic qualitative analysis, we need to acquire adequate information, improve our analytical tools, employ mathematical methods and computation techniques, and so on. When economic development is still at the stage of being principally extensive in nature, people often pay attention to quantity alone because economic development mainly relies on the quantitative expansion of various factors of production. However, when economic development becomes principally intensive, people will focus their main attention on research into quality, because economic development will then rely mainly on raising the quality and utilization ratio of various factors of production. Corresponding to

the particular stage of economic development, when studying the process of principally extensive economic development, generally we can master the qualitative characteristics without any particularly complicated quantitative analysis, because it is rather simple to analyze the factors. However, when studying the process of principally intensive economic development, it is very difficult to accomplish the task of ascertaining the quality by relying solely on experience and intuition without conducting in-depth quantitative analysis, because various factors and their interrelationships become increasingly complicated. Therefore, the transition of economic analysis from qualitative analysis to quantitative analysis signifies the deepening of cognition--a leap from a lower stage to a higher stage. (To express the quality of an objective thing as a quantity is an important method and indication of man's deepening of his cognition of objective things. It indicates that scientific knowledge changes from incomplete to complete and from inaccurate to accurate. However, such development of cognition is based not on the divorcement of quality from quantity but on the unity of quality and quantity. Qualitative study cannot be conducted without a definite amount of quantitative observation and analysis, and quantitative analysis must be based on qualitative analysis and it must promote qualitative analysis.) Whether this leap can be accomplished depends on the objective progress of economic development and is also constrained by many other factors.

Over the past 30 years or more, our country has achieved great success in its economic research work. However, judging from the actual research results, applied economics developed less satisfactorily than theoretical economics, quantitative analysis developed less fully than qualitative analysis, and the discussion of methods and methodology was less active than the discussion of general abstract theory. For a long time, we did not pay great attention to the science of economic management, the analysis and study of economic statistical data and the application of mathematical methods in our economy. Published articles very seldom carried figures and formulas. The theoretical conclusions of economic research lacked numerical proof and were therefore not concrete enough to be applicable to actual economic work. Some works contained quantitative analysis and applications of mathematical methods in addition to basic qualitative analysis, but they were often ignored because people thought these articles could not be understood. The causes of these phenomena are manifold. First, Lin Biao and the gang of four treated the quantitative study of economics and application of mathematical methods to economics as heresy, willfully denouncing such study and application as revisionist and bourgeois stuff. Consequently, our country's research in this respect, which had just begun toward the end of the 1950's and the beginning of the 1960's, was ruined. Second, for a long time the problem of integrating theory with practice had not been very satisfactorily solved. Researchers could not obtain the economic data (in particular statistical data) necessary for quantitative analysis. In particular, there was insufficient data for comprehensive analysis. Third, our country's economic research personnel generally had a low standard in mathematics. Many comrades were not accustomed to or were not interested in reading mathematical calculations and deductions. In the teaching of economics, mathematical training was not awarded great attention, and mathematics had not attained its rightful position even in the teaching of statistics. Lastly, in the final analysis, these phenomena are related to such objective realities as the underdevelopment of our country's productive forces, the backwardness of our science and technology and the fact that our national economic development is at the stage of being principally extensive.



Correspondingly, the development of our country's economic science has not attained the level at which mathematical methods and computers are widely used.

After the focal point of the party's work has shifted, in the process of implementing the principle of "readjustment, restructuring, rectification, improvement," and on the road of the new long march toward achieving the four modernizations, it has become increasingly important to alter the backward situation of our economic science and to strengthen the study of problems of national economic development concerning quantities and methods. The importance is explained below.

First, economic science should serve the four modernizations better. When developing such branches of theoretical economics as political economics and the economics of productive forces, we must also vigorously develop such branches of applied economics as the science of economic management, technological economics, quantitative economics and so on. Then, the theory of economic science will not merely serve as an ideology to arm economic workers, enabling them to work better according to objective economic laws. In addition, by making economic theory more concrete and accurate, and by means of such intermediate links as formulating and testing specific plans and measures as well as providing various methods and technical means, we can directly link economic theory to economic practice, so that economic theory can serve economic practice on a wide scale. When dealing with many major economic problems such as economic systems, economic structures and importing foreign technology, we should carry out detailed quantitative analysis to obtain more accurate quantitative solutions. Such demands on our efforts will become increasingly pressing as the construction of our socialist modernization progresses, and the use of mathematical methods and computers will make it possible to fulfill these demands. Likewise, the study of objective economic laws should not remain at the stage of correct exposition alone. It should further reveal the conditions and mechanisms under which economic laws perform their functions as well as measure and determine the quantitative limits and the characteristics of such functions, so that people can really use economic laws in organizing and managing social production to improve economic effectiveness.

Second, to improve economic management, most importantly planned management, we must more intensively study problems concerning quantities and methods. In economic management, policymaking and forecasting are indispensable. Correct policymaking cannot involve qualitative analysis alone without quantitative analysis. Policymakers may have been able to rely on their experience to make judgments about past problems or simpler problems and arrive at correct decisions. However, faced with some increasingly complicated, new and major problems in economic development, policymakers often have no practical experience and cannot tackle them indiscreetly for fear of incurring huge losses. Then, they must rely on science and quantitative methods to conduct analyses and comparisons and arrive at better choices and decisions. The gradual transference of a large amount of policymaking power to lower levels and the coordination of many policies also necessitate quantitative testing as well as formulating appropriate methods. Economic forecasting linked to economic policymaking and long term planning, is aimed at discovering the trend of economic development as well as the direction and degree of development of the national economy and its various elements. Therefore, we must pay attention to forecasts that specify quantity and time and to the study of various corresponding methods. Moreover, the strengthening of equilibrium calculations in planned management (in particular the study and analysis of comprehensive equilibrium) and the

choice of plans (in particular the formulation and derivation of optimal plans) will also inevitably call for a wide use of mathematical methods. Currently, in addition to the improvement of planning methods, statistical, accounting and business accounting methods must also be promptly improved and perfected.

Third, to modernize economic management, and in particular to efficiently use computers, the means of modern management, we must also correspondingly strengthen the study of quantitative problems and mathematical methods. Of course, modernizing economic management cannot be equated to using computers. However, the appearance and application of computers are an important indicator of the modernization of the means of economic management. The computer promotes the modernization of the economic management system and methods. Computers are indispensable to the modernization of economic management. The information revolution, represented by the computer, enables machines to replace part of man's mental labor and can be said to be another great industrial revolution. The appearance of the computer cannot be described simply as an innovation of computing tools. Deepening quantitative economic analysis as well as studying and formulating methods and models of economic mathematics are the prerequisite for a wider application of computers in economic management. Such a wider application also calls for insuring an adequate and reliable supply of economic information (data and other materials). It is very difficult to organize and manage modern large scale production without scientific economic information, just as without advanced computation techniques. To opportunely obtain accurate and comprehensive economic information, and to transmit, decode, summarize, process, perform calculations on and analyze such information, it is necessary to make extensive use of statistical and mathematical methods in conjunction with a computer network so as to establish a powerful and rational economic information system.

## II

The socialist economy is a unity of the productive forces and production relations. Both productive forces and production relations undergo quantitative and qualitative changes. However, quantitative changes predominate prior to any radical qualitative change. Quantitative changes cannot be ignored. The socialist economy is a planned economy based on the public ownership of the means of production. The aim and interests of each enterprise are basically consistent with those of the entire society. This results in more favorable social conditions for quantitative study and the application of mathematical methods compared with capitalism. To develop the study of quantitative economics quickly, we should create conditions in the ways described below.

First, in economic theoretical work, the study of quantity must be integrated with the study of quality.

The objective basis for developing the study of quantitative economics is that any economic phenomenon or process is a unity of its qualitative and quantitative characteristics. Such unity is found not only in economic concepts and categories, but also in economic laws. The conversion of old quality into new quality is accomplished on the basis of quantitative change. The unity of the qualitative and quantitative characteristics of an economic object calls for the synthesis of the two basic methods, qualitative analysis and quantitative analysis, in economic

research. Without such synthesis, cognition will be biased and incorrect. In any science, we must take qualitative analysis as the prerequisite and admit its prime significance over quantitative analysis, because without the basis of prior and in-depth qualitative analysis, quantitative changes and the laws concerning them cannot be understood. In economic science, because of the social and historical properties of its objects of study and the greater complexity of their interrelationships compared with objects of nature, qualitative analysis is particularly important. However, it is quite incorrect to underestimate the importance of quantitative analysis, ignore its role in deepening our cognition of quality and deny its great importance to the complete cognition of things. In studying the socialist economy, we tend not to put quantitative analysis in its proper and important place. The organization, management and planning of our socialist economy calls for greater attention to quantitative analysis. Without the corresponding quantitative analysis, qualitative analysis will become empty talk which cannot really solve practical economic problems.

To develop quantitative analysis in socialist economic science, we must formulate and use economic mathematical models. (Such models are formulas or systems of formulas which represent quantitative relations in economics. For example, the following system of equations in the form of a matrix represents the quantitative relationship between the gross social products and the final products: the inverse of  $(I - A) \cdot Y = X$ . This is the economic mathematical model of joint intersectoral equilibrium. In the equation,  $X$  is the gross social products vector, whose elements are the output quantities of the products of various sectors.  $Y$  is the final products vector, whose elements are the total national income values of various sectors.  $A$  is the direct consumption coefficient matrix, whose elements are the quantities of the direct consumption of one sector's products by another sector.  $I$  is the unit matrix, whose elements are 1 on the diagonal and 0 in the other positions. In matrix calculations, the role of the unit matrix is equivalent to the role of 1 in the four fundamental operations or arithmetic.) Economic mathematical models are an important form of scientific abstraction and high-powered synthesis. They are the intermediate links between economic theory and economic reality. They simplify economic reality under the guidance of economic theory, but mainly speaking they are essentially similar or identical to economic reality. Thus, we can use such "simplification" to "master many different things, which can be recognized by the senses, according to their common properties." (Engels' *Dialectics of Nature*, "Collected Works of Marx and Engels," vol 20, p 579) Such simplification also helps us to obtain relevant materials from the economic reality which can then be studied in depth. Therefore, economic mathematical models represent certain economic contents and also possess definite mathematical forms. That is, they represent economic processes and economic links in mathematical form. They can be used as tools for theoretical study as well as means of solving specific economic problems.

As in other kinds of quantitative analysis, the prerequisite for formulating and employing economic mathematical models is to conduct in-depth qualitative analysis and detailed revelations of concepts, categories, laws and the nature of economic relations and of relations of interdependence. For example, when we study the socialist economic structure, to formulate and use the economic mathematical model of balanced links between one sector and another, we must clearly understand theoretical concepts such as "sector," "consumption," and "commandeering," categories



such as "end product," "semifinished product," "production-related technology" and "socioeconomic relations," as well as the essential relationship between development of production and satisfaction of needs in the basic economic law of socialism, in particular the actual social needs, the quantity and composition of the residents' consumption needs, the differences and relations between the demand that can be planned and is backed by purchasing power and the market demand that is affected by price changes and supply and demand relations, and so on. If these things are not clearly understood, practical results will be difficult to achieve. Therefore, we must pay attention to and develop the quantitative study and analysis of the socialist economy and at the same time strengthen the qualitative study and analysis of economic theory. Only thus can we better integrate these two aspects. Problems of the socialist economy have not been subjected to due quantitative study, and this is not unrelated to the fact that our study of their qualitative characteristics has been far from specific and what we have revealed has been very inadequate.

Second, we should perfect and develop the basic work concerning economic information and data.

It is inconceivable to develop quantitative economic studies without a great deal of reliable economic information and data, just as it is to carry out material production without raw materials. Over the past 30 years or more, various departments, regions of our country as well as such comprehensive agencies as planning commissions and statistical bureaus, have accumulated a substantial wealth of valuable historical materials concerning economic development. In particular, because under our country's socialist system the enterprises do not have "commercial secrets," we have been able to obtain comprehensive national information through the unified system of submitting report forms. However, we should note that our country's basic work concerning economic information and data is still relatively incomplete and has been particularly badly disrupted over the past 10 years or more. Data are confused, information is incomplete, figures unreliable, indicators are not uniform, and accounting, business accounting and statistical accounting are inconsistent with planning materials—these chaotic conditions have yet to be conscientiously rectified and completely overcome.

According to the needs of quantitative study, methods of improving the work concerning economic information and data include the following. 1) We can sort out the available historical information and data and improve their utilization ratio. Under the precondition of following the necessary security systems specified by the state, we can lift the restriction on as much economic information and data as possible and let them play a role in theoretical research work to serve the four modernizations. 2) We can improve accounting and statistical accounting as well as fully bringing into play accounting information, particularly statistical information. We need to improve and strengthen the keeping of original records and the calculation of production costs and expenses. Statistical work must not only serve planning work, but also serve economic management and research. It should cease to be an appendage of planning work and should become independent. There must be legislation on statistical work. Only thus can statistical work more satisfactorily play its supervisory role. 3) We can popularize sample surveys and regular general surveys, which are effective means of obtaining important information. For a long time in the past sample surveys were negated and general surveys were seldom

organized. This situation should not be allowed to continue. 4) We can strengthen the unifying of economic calculations. Apart from satisfying the special requirements of various kinds of calculations, we can unify as far as possible the approaches of business calculation, accounting, statistical and planning calculation as well as technical economic calculation. Then, economic information can be more scientifically organized and a unified, modern economic information system can be gradually established.

Third, we should formulate and popularize methods of economic mathematics.

Methods are the means of knowing and changing reality. Correct methods play an extremely important role in scientific research. Mathematical methods are an important means of cognition. Engels called it a "supplementary tool and mode of expression of dialectics." (Engels: "Collected Works of Marx and Engels," "Dialectics of Nature," vol 20, p 357) It is a particular method of cognition in relation to materialist dialectics, which is a general method of cognition. However, it is a general method in relation to various sciences which study the forms of movement of material. The objects of study of the economic science belong to certain identical categories and are comparable. This is the necessary condition for applying measurement, calculations and mathematical methods to them.

The mathematical methods employed in economic theoretical research and practical work include the vector matrix method for calculating complete consumption, the mathematical programming method for selecting the optimum plans, various statistical and mathematical methods for predicting the trend of economic development, the plan evaluation method adopted in economic management, the regressive analysis method for analyzing correlations among various economic factors and so on. Although many of these methods are ready-made and effective, when they are popularized, new problems will appear which call for a mathematical solution. For example, after linear programming had been applied to economics, the new problem of goal programming was raised. (Goal programming is a variant of linear programming. Linear programming generally merely solves the problem of optimizing the evaluation of a single goal, but goal programming enables many goals to get as near to the appraised goal value as possible under constraints.) Therefore, developing the quantitative study of economics must not only be guided by correct economic theory and made possible by adequate economic information, but also needs the tools of practical economic mathematical methods which can be easily popularized.

I think the organizational requirements of developing quantitative economic studies include the following. First, we must alter the traditional method of research in the style of the handicraft industry. The highest economic leading body or a certain responsible department of the state should organize the efforts of the relevant research units, institutes of higher learning, economic agencies and so on, as well as recruit experts and scholars in various fields, so that they can cooperate and conduct comprehensive studies involving multiple disciplines. If a few research workers work individually within their specialized fields, then certain problem will remain unsolvable in particular the problems for economic mathematical study concerning the entire national economy, such as making optimum plans for and managing the national economy, making long term forecasts for national economic development plans and so on. Some major research items and tasks involving hundreds of units and thousands of personnel of various kinds should also be organized according to

the principles and methods of systems engineering. Second, aside from relying on the combined efforts of those within economic circles, we must also rely on the efforts and cooperation of economists, mathematicians, statisticians, planning experts and specialists in computation techniques. Quantitative economic studies are characterized by possessing many facets and being related to diverse fields. Almost every branch of economic science encounters the problem of quantitative study and that of applying mathematical methods. Even such subjects as economic history and the history of economic thought also involve the question of integration or coordination with quantitative economic studies. When all branches of economic science, each in its own area of study, have actively developed the study of quantitative economic problems, it will not be difficult to sum up the general theoretical and methodological problems in quantitative economic studies and to improve our understanding of such problems. Moreover, large-scale quantitative economic research surpasses the scope of economic science because it involves mathematics and computation techniques. Such a task will be difficult to accomplish without the participation and cooperation of mathematical workers, computation technique personnel and systems analysis personnel. Third, we must establish a new special field of study dealing with quantitative economics and training up a new generation of economists conversant with both economics and mathematics. The students of various economic departments of the institutes of higher learning must study mathematics. Those specializing in certain fields such as quantitative economics must also take more advanced mathematics and computer courses. Economists should master and use mathematics. This is the demand of the times.

### III

After launching quantitative economic studies on an overall scale, will a new branch of learning, quantitative economics, be formed? Our answer is affirmative. Of course, limited by the present state of quantitative economic studies, for the time being we still cannot perceive completely and clearly the object of study of quantitative economics, its main contents and its relationship with other branches of economics. Nevertheless, based on our current studies, we already have some conceptual knowledge about its nature.

Quantitative economics is a branch of socialist economic science. Guided by Marxist economic theory and based on qualitative analysis, it employs mathematical methods and computation techniques to study the quantities in and the quantitative relations and changes of the socialist economy as well as the relevant laws. Its object of study is the quantitative aspect of all socialist economic problems. The term economic quantity has wide implications. We cannot merely interpret it as some particular economic quantity which is limited to a numerical economic value. According to Marxist interpretation, the concept of quantity not only refers to the rate, degree, scale and form of existence and development of a thing, but also embodies the relations (Engels said in "Collected Works of Marx and Engels," vol 36, p 202 that "the term rapports relations...refers to the quantitative aspect.") between one thing and another, a thing's structure formed by the arrangement and composition of its component parts as well as the model that reflects the quantitative relations in the thing.

The general content of quantitative economics includes both theoretical quantitative analysis and empirical numerical calculus, both microeconomic and macroeconomic



mathematical studies, as well as the application in the socialist economy of mathematical methods, computers and certain related new sciences such as operational research, cybernetics, systems engineering and so on. Establishing and developing quantitative economics is mainly aimed at employing mathematical studies of economics to know and master the laws of socialist economic development more concretely and comprehensively and thus to improve the planning and management of the socialist economy. Therefore, quantitative economics directly serves planning work and economic management. The main contents of quantitative economics are: studying theories and methodologies concerning economic quantities (in particular establishing and using theories and methodologies of various economic mathematical models), the economic mathematical analysis of socialist expanded reproduction, studying joint equilibrium among sectors, optimum planning and management of the national economy, studying economic forecasts and forecasting methods, studying economic cybernetics, the economic calculation of price formation, appraisal of investment effectiveness and testing of investment plans, the optimum use of resources, as well as the economic mathematical study of various problems such as the location of production, transport and communications, national reserves, population and labor, circulation of commodities, the people's consumption and so on. These contents show that quantitative economics is a comprehensive frontier discipline involving many other disciplines. It integrates political economics, the science of planning, statistics, mathematics and the science of computation. Part of its contents overlap with the quantitative study of other branches of economic science. Therefore, quantitative economics needs to use its own theories and methods to help promote the quantitative study of other branches of economic science according to the practical needs of socialist economic construction. At the same time, quantitative economics should establish common ground with the different economic mathematical studies of other subjects in order to enrich the general theories and methodologies of socialist economic mathematical studies, promote its own development and provide more guidance for the economic mathematical study of other subjects.

Quantitative economics is a practical methodological science. Its theoretical basis is political economics and the economics of productive forces. It is closely related to the economics of sectors and the economics of special fields of study. It is particularly closely related to technical economics, because these subjects overlap to a considerable extent. For example, there are topics common to both such as the microeconomic topics of the rational assignment of tasks according to the loads specified for various lathes, determining optimum product batch sizes in production, formulating optimum transport plans and so on, as well as the macroeconomic topics of the optimum use of resources and the evaluation and testing of the effectiveness of national economic investment. However, quantitative economics differs from technical economics in that not only does it study quantitative problems involving the productive forces, but it also studies those to do with production relations. In the quantitative study of the productive forces, technical economics emphasizes studying microeconomic problems (those concerning enterprises, sectors and individual factors of production) as well as appraising, testing and predicting the economic effectiveness of technological policies, plans and measures. However, quantitative economics emphasizes studying macroeconomic problems (overall problems concerning the national economy) as well as formulating, analyzing and applying economic mathematical models.

Since the early 1960's, we have used the term "economic mathematical methods" for the application of mathematical methods in economic research and planning work. This term is appropriate for a field of study but not for a branch of learning, because although each discipline has its own methods, it is not equivalent to its methods. Comrade Mao Zedong said: "The sciences are differentiated precisely on the basis of the particular contradiction inherent in their respective objects of study. Thus the contradiction peculiar to a certain field of phenomena constitutes the object of study for a specific branch of science." (Mao Zedong: "Selected Works," "On Contradiction," the People's Press, 1966 Horizontal Typeset Edition, vol 1, p 284) Judging from this requirement, "quantitative economics" reflects its object of study more clearly than "economic mathematical methods." Nevertheless, it is necessary to preserve the term economic mathematical methods in quantitative economics. It can be used as the generic term for various mathematical methods employed in theoretical studies of economics and in practical economic work. If we replace economic mathematical methods with quantitative economics as the name of the new subject, so that it becomes another independent subject, then does this mean that the quantitative analysis of the socialist economy is isolated from various branches of economics, which consequently change over to purely qualitative studies? Such a worry is unnecessary. When we study the quality of the object of study of any science, we must also study its quantitative aspect, which constitutes an inseparable part of its contents. However, this fact does not affect the existence of mathematics as an independent science specializing in quantitative studies. Is the same reasoning not applicable to the relationship between quantitative economics and other branches of economics? The role and position of quantitative economics in economics is equivalent to the role and position of mathematics in science. Quantitative economics has this unique object of study and content: the application of the theories and methodologies of mathematical methods and computation techniques in theoretical studies of economics and practical economic work. Quantitative economics will not take on or replace the varied quantitative analyses in other subjects. On the contrary, it will conversely promote the development of such quantitative analyses.

Quantitative economics differs from economic mathematics. The latter refers to mathematics that is applied in economics. It is a branch of applied mathematics, not of economics. Quantitative economics is also different from mathematical economics, which is bourgeois economic theory expressed in mathematical form. Since mathematical economics began to develop during the earlier half of the 19th century, its famous leading exponents, such as Cournot, Jevons, Walras, Pareto, Allen and so on had replaced qualitative studies with quantitative studies, using mathematics as the most important tool for studying economics.

Quantitative economics also differs from econometrics in principle. Econometrics is a branch of Western economics with a history of over four decades, characterized by the integration of economic theory, statistics and mathematics. (The Norwegian economist Frisch, founder of econometrics, said in 1933 in the editorial of the first issue of the Journal ECONOMETRICA: "Experience demonstrates that each of the three viewpoints of statistics, economic theory and mathematics is a necessary but insufficient condition for a genuine understanding of the quantitative relations in modern economic life. A combination of the three will be powerful. Such a combination constitutes econometrics.") Tinbergen, a leading exponent of econometrics,

said: "Econometrics may be defined as the statistical observation of theoretical concepts or as a kind of mathematical economics which measures statistical information." (Tinbergen: "Econometrics," edited and printed by the Economic Research Office of the Bank of Taiwan, p 8) Econometrics differs from mathematical economics in that: 1) econometrics conducts an empirical appraisal of economic relations and uses statistical information to estimate the numerical values of economic parameters, and 2) it considers economic relations as imprecise ones and takes into account random factors in economic calculations. We should adopt the attitude of one dividing into two toward econometrics. We should be good at assimilating its achievements and should also eliminate its errors. It is wrong to completely negate econometrics, in particular its practical parts and some of its methods and techniques. It is equally wrong to copy everything from econometrics and give it a new label. Proceeding from our country's practice in socialist economic construction and guided by Marxist economic theory, we should take the role of Western econometrics in capitalist economic development as a reference. We should exploit the achievements of modern natural science to establish and develop our quantitative economics which has characteristics of its own.

According to their own needs, the Western bourgeoisie employed mathematical methods for quantitative studies and established their mathematical economics, econometrics and so on. Why can our country's proletariat not use mathematical methods and computation techniques, launch quantitative economic studies as well as establish and develop Marxist quantitative economics according to the needs of achieving the four modernizations, building socialism and building communism? We can definitely achieve this. Moreover, we can rectify the quantitative analysis and study which has been distorted by bourgeois economics over the past century or so, so that they can healthily develop and advance along the road of materialism and dialectics. It can be predicted that the rapid development of quantitative economics will definitely add luster to Marxist economic science and help to strengthen socialist construction!

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU': INVESTIGATIONS IN FARM PRODUCTS PRICING

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[Article by Li Yingzhong [2621 2091 0022] and Li Yuzhu [2621 3768 3796], Agricultural Economic Research Institute of the Chinese Academy of Agricultural Sciences: "Why Peasants Are Not Enjoying In Full the Advantages From the Raising of Prices for Agricultural and Subsidiary Products"]

[Text] The purchasing prices of major agricultural products such as grain, cotton, edible oils and pigs have been increased considerably since 1979. Practice over the past year and more has proved that this important measure has played a major role in promoting agriculture production, increasing peasants' income and developing purchases and supplies of agricultural products. But following increases in the prices of major agricultural products, there occurred some problems in the purchase of agricultural and subsidiary products. One of the problems with widespread significance is that the peasants are not enjoying the full advantages from these price raises. This article is intended to probe into the appearances and reasons of this problem and to study the problems of the present purchasing system for agricultural and subsidiary products.

#### I

The reasons that have prevented peasants from enjoying the full advantages from the price raises of major agricultural products are that there exist some factors to offset part of the income due to them. Practice over the past year and more showed that these factors vary in form; these factors can be put into two categories: one factor directly influences the monetary income of the peasants and this factor is related with the purchases of agricultural and subsidiary products; another factor indirectly influences the actual income of the peasants and it is related to the people's communes, production teams and peasants when they are buying commodities. In this respect, we carried out investigations in Jingmen and Xishu prefectures of Hubei Province and in Wendeng Prefecture of Shandong Province. The following is an explanation arrived at after investigations into the situations.

The factors that directly influence the monetary income of the peasants can be divided into the following main points.

First, some of the standards for grading the quality of agricultural and subsidiary products are too high. Grading standards for purchasing agricultural and subsidiary

products are too high. Grading standards for purchasing agricultural and subsidiary products are the regulations which determine the quality of agricultural products, therefore changes in these standards influence the price levels of the products and directly influence the income of the peasants. It is true that the purchasing prices of agricultural and subsidiary products have been raised, but at the same time the grading standards for purchasing such products have also been raised, consequently, peasants cannot enjoy in full the advantages from the raising the prices of their products. For example, the Yandeng People's Commune of Jeingmen Prefecture in Hubei Province sold their grain according to the new standards which demanded high quality in unpolished grain and cereals and less water content and impurities than the standards previously used in locality. In 1979, the commune sold 18.407 million jin of grain, of which were 15.9389 million jin of semilate rice, 2.335 million jin of early rice and 133,100 jin of late rice. According to the previous standards, sale prices were for semilate rice, 12.08 yuan per 100 jin, for early rice, 11.73 yuan and for late rice, 12.775 yuan. But according to the new standards, their prices were respectively 11.9 yuan, 11.55 yuan and 12.25 yuan. That is to say, because of the raising in purchasing standards, peasants got 0.18 yuan less from the sale of each 100 jin of semilate and early rice and 0.525 yuan less from late rice. Consequently, the whole commune got 33,600 yuan less. Here is another example, the standards of diameter for large apples in Yantai region of Shandong Province were raised from 55 millimeters to 60 millimeters and for small ones from 50 millimeters to 60 millimeters. The number of the bruises were previously not limited for these two categories of apples, but now it has been limited to three. As a result, part of the fruit harvest was downgraded. Statistics of the departments concerned of Wending Prefecture showed that owing to these 2 standards that have been raised, the income of the peasants throughout the prefecture decreased by about 300,000 yuan. The original standards were later restored, but the decreases in the income of the people's commune and production teams caused by changes in the standards were yet to be made up. The samples for the purchase of tea in Xishui Prefecture of Hubei Province were in the past respectively taken from the spring, summer and autumn tea harvests. But last year the samples were only taken from the spring tea. It means that purchases for the tea produced in the three seasons were based on the samples taken from one season only. As the tea grows well in spring, therefore to take the sample from spring tea as the criterion means that the grades of the standards for purchasing summer and autumn tea were raised. In respect of medical herbs, it was previously defined that the number of first quality dried rhizome of rehmannia must not exceed 4 in a jin. But last year it was changed that the weight of each medical herb must be above 2.5 liang. Similar changes were also made for second grade and fourth grade herbs.

Second, purchasing prices of some agricultural and subsidiary products have been lowered. In the past, there was a regional disparity in the purchasing prices of the apples produced in Yantai region and those produced in other regions of Shandong Province. That is, the purchasing prices in other regions were 0.01 yuan higher per jin than Yantai region. But at last the disparity was abolished. That is to say, the purchasing prices for other regions in the province were scaled down to the level of Yantai region. The province produces about 1,000 million jin of apples per year, excluding Yantai region, therefore with the disparity abolished, the peasants' income consequently decrease by about 540,000 yuan. The purchasing prices for dried rhizome of rehmannia in Xishui Prefecture have also been lowered by an even greater margin.

Third, suspending and limiting the purchase of agricultural and subsidiary products. In 1979, the purchases of more than 103 varieties of agricultural and subsidiary products in Jingmen Prefecture were suspended and limited; these varieties made up one-fourth of the varieties of the products purchased from the prefecture every year. As a result, the peasants received 540,000 yuan less in income or on the average 0.51 yuan less income per capita. Similar situations happened in Xishui and Wendeng prefectures. These problems are more prominent in the purchase of agricultural and subsidiary products.

Fourth, forcing grades and prices down which is disadvantageous to the peasants' interest. This situation often happens during the purchase of agricultural and subsidiary products. For example, in purchasing live pigs it is very often that the weight of a pig is deducted by as much as 20 jin for fodder. In addition, in purchasing pigs, poultry and eggs, a half jin or liang is not calculated. In purchasing cotton, the deduction for the weight of bags has been increased, while in purchasing peanuts the prices are based on the price of peanut oil. A production team of a people's commune of Xishui Prefecture last year wanted to sell 15,275 jin of cotton to a cotton purchasing station but it refused to sell after it was informed by the station that it judged the cotton to be neither grade 1 or grade 2. The production team then presented the station with 100 jin of peanuts and its cotton was consequently purchased by the station. The cotton was grade 3 as having 7,831.5 jin of grade 1 cotton, 51.3 percent of the total. The rest was judged to be grades 3, 5 and 7. It is also very common that in purchasing agricultural and subsidiary products, different purchasing stations give different grades for the same products.

Fifth, changes in checking and purchasing system and unjust service charge. For example, the fruits of major producing areas in Shandong Province were previously checked and purchased by supply and marketing department on the spot. But this method has been changed since last year. All the fruits that are for sale must be gathered at an appointed place or sold at an appointed marketing point where they are checked and purchased jointly by the purchasing departments of the region, prefecture and locality. It means that purchasing responsibility is taken by three levels, but the fact is none of them is responsible. Any damage to the fruits occurring in transporting them must be borne by the producing units while the purchasing units are only responsible for damage resulting from natural phenomena. Some production units have managed to sell their fruits directly to other purchasing departments yet these departments still have to charge these units just for issuing receipts.

The factors that indirectly influence the actual income of the peasants include raises in the prices of byproducts of grain and edible oil such as chaff cakes, wheat bran and rapeseed cakes that are purchased by peasants after they have sold their products. In addition, the growth in the prices of these byproducts is higher than that in the prices of grain and rapeseed. Peasants also are suffering losses in many other aspects such as increases in the prices of farm machinery products, shortages in weight of chemical fertilizer and pesticides and ineffectiveness of pesticides.



The abovementioned problems not only affect the income of peasants and their initiative but also enhance the contradictions between agriculture and commerce to create tense relations. These problems are not in the interest of business management of purchasing departments. Such problems merit our attention.

## II

The abovementioned factors that have directly affected the income of the peasants have widespread significance. But what are the reasons for all these problems? Our investigations showed that there are many reasons, but major reasons must be singled out from the present system of purchasing agricultural and subsidiary products.

The investigations showed that purchases of our agricultural and subsidiary products are mainly carried out in three forms: state monopoly, purchases by purchasing departments through arrangement and purchases through consultations. The first two are the main forms because about 80 percent of the agricultural and subsidiary products are purchased through these forms. Under the present management system, purchases of agricultural and subsidiary products through state monopoly and purchases through arrangement have stressed the importance of autonomy being centralized by the state with regard to the relations between the state and the units of the collective economy. That is to say, purchase planning, prices and standards of purchasing and quantity are all determined by the state. In addition, purchases of agricultural and subsidiary products are undertaken only by the departments concerned. This management system has a basic defect of violating the demand of the law of value. Under this management system, the units of the collective economy are not considered as producers and sellers of commodities, therefore they have been deprived of some basic rights that producers and sellers of commodities should have. This situation is not in the interest of implementing the principle of exchanges of equal value and has a very strong compulsory nature.

First, the system of purchasing agricultural and subsidiary products through state monopoly and through arrangement has deprived the units of the collective economy of most of their autonomy in production and in selling their own products. Both varieties and quantity of the agricultural and subsidiary products that are purchased through state monopoly and through arrangement began to be implemented in the early and middle 1950's. No doubt it must be affirmed that practice over the past two decades and more has proved that for a country with such a backward agriculture as ours, such a measure has played its positive role in insuring the basic needs of the state construction and the livelihood of the people. But it has also exposed its defects. A major defect is that units of the collective economy, whether they intended or not and irrespective of volume of economic interest, must fulfill production and sales quotas assigned by the state. Consequently, these units have been deprived of most of their autonomy in production and the autonomy of selling their own products. Thus under this system, it is impossible for the people's communes and production teams to base themselves on the need of the law of value and determine the kind of crops they should grow and the acreage of the crops according to the volume of economic interest. As a result, it is more often that the tasks assigned them by the state are contradictory to their own economic interest. This contradiction becomes even more apparent under the situation in which price parities among agricultural and subsidiary products are not rational.

Quite a number of people's communes and production teams have to produce and sell agricultural and subsidiary products just to fulfill state quotas even if they know that by doing so they would have little income or even lose money. This system can also easily result in purchasing "overlimit grain" to the detriment of the need of the people's communes, production teams and commune members themselves. Peasants in some places who failed to produce an adequate quantity of certain farm products have to purchase them from free markets at higher prices and then sell them to the state so as to fulfill their sales quotas to the state. This system thus runs counter to the voluntary principle in treating peasants and dampens their initiative. With implementation of the party's economic policies in rural areas over the past few years, the cases of purchasing "overlimit grain" and of peasants purchasing certain farm products from free markets and then selling these products to the state have become rare. But forcible monopoly purchasing by the state and arranged purchases without giving consideration to the interest of the people's communes, production teams and peasants are still common.

Second, with their agricultural and subsidiary products solely purchased by a single department, the units of the collective economy have been deprived of the right of selecting the targets for their sales. Our agricultural and subsidiary products are purchased by the departments belonged to a single system from the party Central Committee down to locality. In addition, purchasing departments at various regions can only purchase agricultural and subsidiary products of their own regions and not from other regions. Hence departmental and regional monopoly of purchases are formed. As purchases of agricultural and subsidiary products are monopolized, there is no competition among the purchasing departments. Even if these departments purchase agricultural and subsidiary products at prices that harm the economic interest of the people's communes, production teams and peasants, the departments do not have to worry that they cannot purchase the products. But the people's communes, production teams and peasants have no other choice in selling their products, they can only sell them to a certain department, a company or even a unit; otherwise they cannot sell them. Under such conditions, the people's communes, production teams and peasants cannot but send their products to purchasing departments for sales. Consequently, it often happens that these departments force prices and grades down to the detriment of the peasants' interest. Some people's communes and production teams have to plead with purchasing departments to purchase their products while others even give dinners and send gifts just to have their products priced and graded rationally. It is also often that the people's communes and production teams find that the prices and grades of their products have been intentionally forced down, but they do not dare to report this to higher authorities. When purchasing departments suspended and limited purchases of agricultural and subsidiary products, the people's communes, production teams and peasants are compelled to find other ways. Some of the products rot, are discarded or burned, all of which affect the income of the peasants and waste social property.

Third, the standards of grading and pricing agricultural and subsidiary products are all formulated by state commercial departments while grading and pricing are determined solely by the purchasing units. As a result, units of the collective economy have been totally deprived of their right to take part in formulating prices and in grading and pricing their own products. The standards of grading agricultural and subsidiary products that are purchased by the state monopoly and through arrangement are formulated by the state. But concretely speaking,

these standards are formulated by the departments concerned on behalf of the state in two different ways. The standards for major agricultural and subsidiary products that are related to the national economy and the people's livelihood are jointly managed and formulated by purchasing departments, comprehensive standardization departments and the State Planning Commission. The standards for other agricultural and subsidiary products are formulated by the purchasing departments. In the former case, purchasing departments have the right to participate in formulating the standards (not the sole right of formulating the standards); but in the latter case, they have the sole right to do so. In the activities of purchasing agricultural and subsidiary products, purchasing departments have the right to check and grade as well as determine the prices of the products. But on the contrary, the units of the collective economy, that is the owners of commodities and sellers of agricultural and subsidiary products have been deprived of any right. They can only sell the products according to the standards formulated by the state and the prices determined by purchasing units. Thus imbalance in the right between the two sides during exchanges of commodities has become a major factor leading to unequal value in the purchase of agricultural and subsidiary products. Because under this system, if purchasing departments and units do not follow party policies and do not proceed from the point of developing agricultural production but just consider their own interest, they will resort to their power and use, an unfair method which in effect amounts to embezzlement of the results of the work done by the units of the collective economy and the peasants.

It must be pointed out that the purchases of our agricultural and subsidiary products are mainly managed by purchasing departments, that is the so-called total centralization of power in the hand of the "state." But the fact is that a considerable part of the power is centralized in the hand of purchasing departments. There has long been a traditional view in our country that commercial purchasing departments and enterprises are state commercial undertakings with the ownership by the whole people and their relations with the units of the collective economy are the relation between the state and the collective and that the interest of commerce is the interest of the state. As a result, commercial purchasing departments are equated with the state. Such view is not complete. In fact, the present state commercial undertakings of the ownership by the whole people are not completely of the "whole people." It is correct that purchasing departments for agricultural and subsidiary products are state commercial undertakings and their means of production belong to the whole people. It is also correct that most of the profits of enterprises are handed over to state financial departments and belong to the whole people, that the basic income of the staff of these enterprises basically comes from the state consumer funds and that the interest of commercial purchasing departments and other enterprises is identical with the interest of the whole people. But we must understand that at the present stage the state commerce with the ownership by the whole people does not completely belong to the whole people and its income is not completely owned by the whole people. There still exists partial ownership by departments and enterprises. Staff and workers still get additional income from the enterprise funds of their own units. Therefore, the interest of commercial purchasing departments and enterprises is not necessarily and totally the interest of the state; such interest includes the interest of the departments concerned and other enterprises. Such partial interest can fully display the motivation of economic interest and encourage purchasing departments and enterprises to do a good job in purchasing agricultural and subsidiary products and improve their management.



But it will also stimulate these departments and enterprises to resort to unfair methods and carry out exchanges of unequal values which amounts to embezzlement of the results of the work of the people's communes, production teams and peasants.

Following the Third Plenary Session of the party Central Committee, the system of the commercial purchasing departments have been under restructuring by way of expanding the decisionmaking power of enterprises that is centered upon profits retention. Thus with their economic interest and power expanded, purchasing departments and enterprises are now willing to display their initiative in improving their business management. But in some places, this measure has brought about or aggravated contention between the interests of the purchasing departments and enterprises on the one hand and those of the people's communes and production teams on the other hand. There also happened that the interests of the people's communes, production teams and peasants were violated. This is one of the important reasons that why peasants do not enjoy in full the advantages from the price raises for major agricultural products. Now the question is how to consolidate and display the initiative of the restructuring and avoid and restrict its negative role while we persist in expanding the decisionmaking power of the commercial departments and enterprises so that enterprises will be able to combine their business achievements with their economic interest. However, our present management system over agricultural and subsidiary products is not in a position to restrict this negative aspect. There is no outside pressure against this system and, on the contrary, it helps promote this negative role to a certain extent. In order to implement the principle of exchanges of equal value in the process of purchasing agricultural and subsidiary products and guarantee the economic interest of the people's communes, production teams and peasants, it is imperative to restructure the present system of purchasing agricultural and subsidiary products.

### III

Stalin said that the only form of economic contact between industry and agriculture and between urban and rural areas that is acceptable to peasants is exchanges of commodities through selling and buying. Exchanges of commodities demands that the two sides exchange their products on the basis of equal value; neither side is allowed to expropriate the labor achievements of the other side. It is our party's consistent policy to persist in exchanges of equal value in purchasing agricultural and subsidiary products. The "Resolution on Some Questions of Enhancing the Development of Agriculture by the Central Committee of the Chinese Communist Party" points out: "Commercial work must conscientiously follow the principle of exchanges of equal value so as to promote the interflow of commodities between urban and rural areas. Agricultural and subsidiary products in rural areas must be purchased according to their qualities. Forcing prices and grades down is strictly prohibited." Exchanges of equal value reflect the essence of the relations of exchanges of commodities when agricultural and subsidiary products are being purchased. They not only accord with the demand of the law of value but also constitute a principle that must be followed in activities of purchasing agricultural and subsidiary products. They also constitute an important foundation for restructuring commercial system in rural areas.

How can the principle of exchanges of equal value be reflected in the purchasing system of agricultural and subsidiary products? We hold that under the premises

of state guarantee and identical economic interest between purchasing departments and peasants, purchasing departments and producer units must have relative power. Basic conditions for exchanges of equal value must be created so as to guarantee normal economic interest of both sides and restrict their irrational economic interests.

First, the question of respecting the autonomy of the people's communes and production teams. In order to follow the principle of exchanges of equal value in purchasing agricultural and subsidiary products, it must be acknowledged that the people's communes and production teams are units of the collective economy with independent management. The people's communes and production teams must have autonomy in production and must have the power to make decisions on selling their products voluntarily. But to do this it is imperative for the state to use the economic method and means of economy instead of the administrative method in the purchase of agricultural and subsidiary products. The much too stringent state control over people's communes and production teams must be eased. From a long-term point of view, we must create conditions which will change the system of state monopoly for purchasing and purchasing through arrangement. However, the conditions are yet to be created which will allow the abolition of this purchasing system. It can only be solved gradually and it needs a developmental process. For example, grain, cotton and edible oils that are purchased through state monopoly are basic means of subsistence needed by the people. At present, the quantity of such products throughout the country is not enough to meet the demand by the state and the people and we still have to import a certain quantity every year. The price parities within agricultural and subsidiary products are not rational and there is unlikely to be a drastic readjustment in a short period. Therefore, to enable the state to control the means of subsistence and insure its own need and the need of the people, it is necessary for a certain period to come to persist in the system of purchasing through state monopoly; otherwise a dangerous situation will be created. In order to respect the autonomy of the people's communes and production teams during the activities related to the purchasing of agricultural and subsidiary products and overcome the too stringent control by the state over the people's communes and production teams, it is feasible to start restructuring the purchasing method through arrangement. That is to say, the range of this purchasing method can be narrowed and the varieties of the products sold can be cut down so as to gradually create conditions for abolishing it. Implementing this is completely possible. Following the development of agriculture over the past few years, the purchases of agricultural and subsidiary products through this method have changed quite a lot. The products sold through this method were first in short supply and not able to meet the need of the people. Now they are not only able to meet the need but are even overstocked, thus creating basic conditions for abolishing this purchasing method. Other products that are also sold through this purchasing method but do not influence the national economy and people's livelihood can be sold through other forms even if they are in short supply. In this respect, the demand and supply of such goods can be regulated by the pricing mechanism; that is to say, it can be solved through raising the purchasing and selling prices.

Second, the question of breaking away with the monopoly in purchasing agricultural and subsidiary products. In any exchange of commodities, including purchases of agricultural and subsidiary products by the state, no monopoly is allowed by either

side; it is an important condition for exchanges of equal value. Marx pointed out: "The only conditions for exchanges of commodities whose prices nearly equal their value are...this means that in selling and buying, it must be agreed that neither side will embezzle, by artificial means, or intentionally, and thus sell and buy above value or force a commodity to be sold under value." (Marx: "Das Kapital," People's Publishing House, 1956, vol 3, pp 202-203) In order to create conditions for the abolition on monopoly by purchasing departments in purchasing agricultural and subsidiary products, we suggest taking the following three steps. The first step, the people's communes and production teams must have to a certain extent the right to choose the buyers of their products. The people's communes and production teams are allowed to choose buyers of the first and the second categories of agricultural and subsidiary products that must be purchased through the state monopoly and arrangement in a certain sphere (for example to choose their buyers within a prefecture). When the people's communes and production teams have met their quotas by selling their first, second and third categories of agricultural and subsidiary products through state monopoly and arranged purchases, they must be allowed to sell the rest of their products anywhere and this includes cities. Second step, break away from the area limitation and allow purchasing departments of one region to purchase agricultural and subsidiary products in other regions. Third step, with state purchasing departments as the main, supplementary organizations to these departments must be formed and more channels must be allowed to exist. For example, a locality must be permitted to set up purchasing companies while the people's communes may set them up by themselves or jointly with commercial organizations. Thus competition is in the interest of implementing the principle of exchanges of equal value. It will also help commercial purchasing departments display their initiative and improve their management.

Third, the question on equal rights for purchasing departments and their enterprises and the units of the collective economy. Such equal economic relations must be guaranteed by equal power in the systems of both sides so that they will be consolidated and developed in exchange activities. The management power of the present purchasing system for agricultural and subsidiary products is centralized in the hand of the state and part of the power is centralized in the hand of various purchasing departments. The people's communes and production teams have no power in this respect. This situation is not in the interest of exchanges of equal value. On the contrary, it encourages various purchasing departments to undermine the interests of the people's communes and production teams. Therefore, the present management system must be restructured.

The people's communes, production teams and peasants must be allowed to send their representatives to take part in formulating the standards of grades and prices for the purchase of agricultural and subsidiary products so that they will be able to fully reflect the situations and demands of producers and sellers and solicit opinions in order to represent their economic interests. The people's communes in rural areas are presently using the system of integration of government administration with commune management, the organizations of people's communes and above are under the direct leadership of the people's governments at various levels. No economic or other organizations are directly leading the people's communes and it is difficult for them to send their representatives. Therefore as a transitional measure, it is advisable that agricultural production departments at various levels take part



in formulating standards. Further readjustment can be made later when the work of restructuring the agricultural management system begins.

In activities of purchasing agricultural and subsidiary products, the people's communes and production teams must also have the right that is enjoyed by purchasing units with regard to checking, grading and pricing. It is very important to insure that various grading standards for the purchase of agricultural and subsidiary products are implemented, that the products are purchased according to their value and that the forcing down of grades and prices is prevented. In some places, grain departments are using the method of "assessing by production teams and checking by stations." That is, grain purchasing policy, pricing policy, the standard of grading and technology of checking the quality of the grain are all undertaken by production teams and commune members. Assessing teams composed of cadres of production teams, commune members and staff of granaries are formed to assess and inspect the conditions of the grain and sign relevant documents attesting that they have done so. The grain is then sent to state granaries where it is checked by the quality checking staff before it is accepted. With this method, the people's communes and production teams have to a certain extent the power for checking and grading, therefore it is in the interest of exchanges of equal value and in the interest of promoting the relations between commerce and agriculture. When the quality of the grain is lower than actual grade, usually it is caused by the following two factors. One is caused by errors because the standard is far from accurate and is therefore hard to comply, because weighing instruments are not accurate and because of a backward method of checking. Another reason is intentionally forcing down grades and prices. With regard to the former situation, purchasing departments in some places with prefectures as accounting units are using the system of refunding excessive grain. When prefectural companies of agricultural and subsidiary products are settling their accounts or making yearend settlement of accounts and they find that the grading is higher than purchased grading, they will refund the excess funds to the related people's communes and production teams. This method has been welcomed by the people's communes and production teams. With regard to the later situation of forcing down grades and prices, it is necessary to give the people's communes and production teams a specified right for checking and grading and to form a strict supervisory system. Supervision is not only the work of the higher leading bodies of purchasing units and the State Planning Commission, it is also the work of the broad masses of peasants. It is also necessary to carry out spot-checks as well as regular inspections. With regard to the activities that violate the pricing policy and that which are aimed at forcing down grades and prices to undermine the interests of peasants, the people concerned or departments must be criticized and educated; where the situation is serious, the income that is achieved through illegal methods must be refunded or confiscated. In addition, it is necessary to take legal actions and meet out economic punishment so as to prevent such activities.

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## NATIONAL POLICY AND ISSUES

### PRC JOURNAL ON RATIO BETWEEN ACCUMULATION, CONSUMPTION

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[Article by He Zhenyi (0149 2182 0001) and Chen Lingshu (7115 0109 3219) of the Finance, Trade and Material Resources Research Bureau of the Chinese Academy of Social Sciences: "An Initial Study of the Role of Finance in Correctly Handling the Proportional Relations Between Accumulation and Consumption"]

[Text] Our country's 30 years of experiences in construction are ample testimony that on each and every occasion when there was an imbalance in the proportionate relationship between accumulation and consumption in the national economy, it was directly related to the disregard of the role of finance and the law of financial distribution and to the poor performance in handling financial receipts and disbursements. Hence, making a serious summation of 30 years of experiences in financial work, upgrading the role of socialist finance in regulating the proportionate relationship between accumulation and consumption and having a clear understanding of the law of financial distribution all have an important and practical significance in insuring the regulated development of the national economy and accomplishing the four modernizations. This article is intended to present our superficial views on problems in this connections.

#### Role of Finance in Formation of Proportionate Relationship Between Accumulation and Consumption

The ratio between accumulation and consumption is the most basic ratio in the realm of socialist distribution. It centrally reflects the relations of the long-term interests and current interests of the people. It also reflects the interests of the state, of the collective and of the individual. Correctly handling the proportionate relationship between accumulation and consumption in the process of the distribution and redistribution of the national income provides a basic guarantee for the improvement of the people's standard of living, for the rapid development of socialist production and for the smooth accomplishing of the four modernizations.

The ratio between accumulation and consumption is ultimately formed through the process of distribution and redistribution of the national income. Under the system of public ownership of the means of production, finance is the basic means by which socialist states effect distribution and redistribution of the national income in a planned manner and using a form of value (currency) as a medium. Representing

the demand of social groups and representing the common interests of the whole body of workers, finance takes part in the primary distribution and redistribution of the national income and is the organizer of the collection and distribution of funds for the satisfaction of the common needs of the entire social structure. It is capable of regulating the direction of use of the national income and plays the decisive role of regulating whether the ultimate form of the proportion between accumulation and consumption is rational or not. It is true that the proportion of value between accumulation and consumption is governed by the concrete material structure of the national income available for accumulation and consumption. If the condition of the concrete material structure of the national income is neglected in the distribution of the form of value of the national income, confusion may be caused in commodity circulation which will complicate the normal realization of accumulation and consumption. However, the structure of material resources of the national income has a certain degree of elasticity. Some of the products may be used as means of production and also as consumption goods; some may be used in production and also in capital construction. This determines that while the material structure of the national income is fixed within a definite period, the proportion of material resources used in accumulation and consumption can also change within certain limits. Therefore, the proportion fixed in financial distribution can directly bring about a reciprocal transfer of material resources between accumulation and consumption. In this way, finance plays a decisive and regulatory role in the ultimate formation of the proportionate relationship between accumulation and consumption in national income. This role is concretely illustrated in the following:

Whether the consumption level of the individual producer is high or low is determined by the size of the portion which finance musters in the initial distribution of the national income. The initial distribution splits the national income into two portions. One portion may be termed portion "v" which is for the workers' individual consumption. The other portion may be termed portion "m" which is for meeting the common needs of society. Portion "m" consists mainly of financial receipts which the state has mustered (the portion retained by the enterprises for production purposes will not be discussed here). Portion "v" does not come under the financial distribution of the state, but what proportion it occupies in the national income and whether or not it can be increased in the event of production development is directly regulated by the arrangements for the financial receipts. Within a specified period, the national income is a fixed figure. If the portions mustered by finance in the initial financial distribution are large, then what remains for satisfying the individual needs of the workers will be small. Hence, whether the arrangements for the financial receipts are adequate or not plays a decisive role in regulating the level of livelihood of the individual worker.

Next, the condition of the use and distribution of financial funds regulates the condition of the ultimate proportionate relationship between accumulation and consumption. After the initial distribution of the national income, redistribution must follow before the ultimate proportion between accumulation and consumption can be formed. The proportion between financial disbursements of an accumulation nature and those of a consumption nature determines whether the ultimate proportion between the use of the national income of the current year on accumulation and that on consumption is rational or not. Through the initial distribution, the national income is divided into the "v" and "m" portions. The size of Portion "v"



determines the level of consumption for each individual production workers while the size of portion "m" determines the level of accumulation to a certain degree. In this context, it may be said that a general idea is formed for the proportion between accumulation and consumption, but portion "m" cannot be devoted entirely to accumulation, since a portion has to be spent on the individual consumption needs of the workers in the administrative departments and in the enterprises and also on the collective consumption needs of the workers. Hence, the ultimate formation of the proportion between accumulation and consumption will have to be determined by the manner in which portion "m" has been utilized. As for how "m" is expended, a great proportion is determined by the planning for the financial disbursements. If in planning the financial disbursements, those of an accumulation nature predominate, then in the proportionate relationship between accumulation and consumption, the weight for consumption will be reduced. Contrarily, the proportion for consumption will be increased. For this reason, it may be said that financial disbursements exercise a direct regulatory role on the ultimate formation of the proportion between accumulation and consumption in the national income.

#### Objective Quantity Limits Which Financial Receipts and Disbursement Must Observe

How much income can be derived for finance each year, what order of priority governs the various financial disbursements and how much money can be allocated to each financial disbursement cannot be decided by man's subjective wishes. They all have to follow certain regulations and have their own objective quantity limits. In addition, an order of priority must be followed. These quantity limits and order of priority are determined by a definite level of productive force and by socialist production objectives. The starting point for financial distribution should be fulfillment of the material and cultural needs of the people's livelihood and in planning for the financial disbursements the order of those of a maintenance nature first and those of a development nature second must be followed. In this way, financial receipts and disbursements are subjected to a list of objective quantity limits the principal ones of which are as follows:

##### 1. Quantity limits of financial income

The first is the maximum limit on increases in financial income. This limit is subject to the following factors: 1) Regulation by the condition of increase in the national income for the current year. An increase in income must be preceded by an increase in the national income of the current year. If there is no increase in the national income and the financial income mobilized is larger than that of the preceding year, then the surplus portion will lack the backing of material resources and a portion of the financial income is false. If disbursements are arranged on the basis of this false income, then in reality a hidden deficit has been generated. This will derange the normal proportionate distribution of the national income, lower the actual living standard of the people and inflict disaster on the national economy. 2) Regulation by portion "m" of the increase in the national income. If the national income for the current year is increased, then finance can make use of more income. But it cannot use all of the increased income and is confined to portion "m" only. The national income is composed of two portions. One portion is value "v" which is to satisfy the individual needs of the workers. The other portion is value "m" which is to satisfy the common needs of society. Finance can derive its income only from the "m" portion of the national income. If this realm

is exceeded then the consumption portion for the individual workers will be encroached upon. How big the "m" portion of the increase in the national income can become is again governed by three factors (Note: This "m" portion is derived from computing the proportion between "v" and "m" of the base period and not the "m" portion ultimately formed in the distribution of the national income of the current year; same below), namely: 1) Economy in the use of production materials in the production process; 2) Rise in labor productivity rate; and 3) Addition of new labor productive force. Under conditions where prices remain unchanged and the laborers maintain the same standard of living as in the base period, if the increased portion of the national income is due to the first two factors mentioned above, then the entire increased portion belongs to the "m" portion. On the other hand, if the third factor accounts for the entire increase, then only part of the increase belongs to the "m" portion. The size of this new "m" portion is determined by the proportion between "m" and "v" of the national income in the base period and the larger the proportion "m" occupied then the larger the "m" portion of the increased national income now. If the newly increased portion of the national income is due to a combination of all three factors, then the size of the new "m" portion is determined by the relative importance of the three factors and by the proportion between "m" and "v" in the base period. It follows that the smaller the proportion occupied by the factor of additional labor force the larger the "m" volume and that the larger the proportion attributable to economy in production materials and to a rise in the labor productivity rate likewise the larger will be the "m" volume. The size of the "m" portion of the increased part of the national income determined by the above-mentioned factors is the maximum amount of possible increase in the financial income of the current year. Under the socialist system, except in case of war or other contingencies, mobilization of financial income should never exceed this maximum limit, otherwise the national economy and the people's livelihood will be endangered.

Let us turn next to the workable limit on the increase of financial income for the current year. The "m" portion of the increase in the national income which is derived from computing the proportion between "m" and "v" of the base period is not the final quantity limit which finance can possibly mobilize. How much of the "m" portion of the newly increased portion of the national economy can be mobilized to increase financial receipts is further regulated by the following two factors: 1) It is regulated by the rate of population growth. The increase in national income of the current year must first of all be used to insure that the standard of living of the newly increased population is not lower than that in the base period. If the national population growth rate is not taken care of by using a portion of the newly increased national income to satisfy the livelihood needs of the new increased population, the universal lowering of the actual standard of living of the entire masses of workers will be entailed and this will be contrary to the basic economic law of socialism. The quantity limit for insuring the livelihood needs of the newly increased population is the product of the gross consumption volume in the base period multiplied by the population increase rate or the product of the average per capita consumption in the base period multiplied by the size of the population growth. 2) It is regulated by the average increase rate in per capita consumption of the production workers. The basic economic laws of socialism require that from the increase in national income a portion must be used to increase the per capita income of the workers and thus to raise their standard of living. This portion cannot be mobilized as financial income. How is the amount of this volume

derived? The answer is that it is determined by the yearly average increase rate and the volume is the product of the gross consumption volume of the workers in the base period multiplied by the planned rate of increase in the standard of living. The sum of the above two factors is the second quantity limit which must be deducted when planning the actual amount of increase in financial income.

## 2. Quantity limits of financial disbursements.

First is the minimum quantity limit of disbursements of a consumption nature for the current year. This limit is made up of two parts. One part consists of the consumption volume which was reached in the base period by workers in the administrative and enterprise departments, that is to say, the volume of expenditure spent in the preceding year on meeting the consumption needs of workers in non-productive departments. The second part consists of the volume of expenditure spent in the base period on meeting the collective consumption needs plus the minimum volume of expenditure for collective consumption which must be increased to correspond with the increase in population. The sum of the above two items is the minimum quantity barrier that must be insured in the financial disbursements of a consumption nature. This volume is the minimum amount which must be insured in determining financial planning. If this is not observed, then the actual standard of living of the masses will be lowered.

Next is the minimum volume of accumulation disbursements of a nonproductive nature. This is the necessary volume barrier to insure that there is no reduction in the level of cultural, health and other benefits enjoyed by the laborers. At present, there is a population increase every year. This requires that society must not only appropriately effect increases in expenditure in order to satisfy the individual's consumption needs but also appropriately increase accumulations of a consumption nature in order to insure increases in public facilities such as residences, nurseries, public health institutes, schools and so forth. If in planning financial disbursements no additional disbursements are arranged in this connection despite the increases in population, then it would hardly be possible to insure maintenance of the level of benefits in culture, public health and other sectors. The minimum increase in volume of this nonproductive accumulation consists of two parts. One part consists of the minimum required volume of fixed assets of a nonproductive nature. The formula for its calculation is to find the product of multiplying the figure of population increase in the current year by the average per capita fixed assets of a nonproductive nature of the preceding year. The second part arises out of the need to appropriately increase the volume of articles for consumption as reserves in view of the increase in per capita consumption. This is the product of multiplying the minimum volume of increase in consumption goods by the coefficient of reserves of consumption goods at the preceding year's level. The sum of the funds required for the above two items is the minimum volume of accumulation disbursements of a nonproductive nature which must be taken care of in planning financial disbursements.

Now let us turn to the minimum volume of accumulation disbursements of a productive nature. This is the minimum accumulation volume required for expanding the reproduction of consumption goods to insure that the level of the people's livelihood will not be lowered. In order to insure meeting the consumption needs of population increase, society must step up the production of consumer goods and must increase



investments in expanding the reproduction of consumer goods. This kind of necessary minimum amount of investment of a productive nature is the minimum volume of increase in accumulations of a productive nature that is required. The numerical value of this volume is the product derived from multiplying the investment coefficient by the sum of the gross value of consumption goods which must be increased on the basis of the increase in population plus the gross value of the production materials which must be increased in order to produce these consumption goods.

The above represent the minimum limits for insuring that the original level of the people's livelihood will not be lowered. We call the three of them the minimum limits of disbursements of a maintenance nature. After having made financial arrangements for these disbursements of a maintenance nature, the remaining portion may then be used to further raise the people's current standard of living and to further increase investments of an accumulative nature. This category of disbursements we call disbursements of a development nature.

The quantity limit for disbursements of a development nature is the balance of the current year's total quantity limit for financial income minus the quantity limit for disbursements of a maintenance nature. In the financial planning for disbursements of a development nature, we cannot allow the spending of the entire balance after deduction of disbursements of a maintenance nature on increasing the accumulations of a productive nature. Suitable arrangements must still be made between accumulation and consumption and this is again regulated by several other quantity barriers. They are: 1) The minimum quantity limit for disbursements of a consumption nature which must be increased in order to annually raise the people's standard of living based on the premise of production development, including the minimum quantity limit for increased consumption on the part of workers in nonproductive departments and also the quantity limit for increased consumption of a collective nature. 2) The minimum quantity limit for accumulations of a nonproductive nature which must be increased in order to insure an annual rise in such collective welfare benefits as those pertaining to culture and public health. In the financial planning for disbursements of a development nature, all these minimum quantity limits must be insured otherwise if the disbursements of a development nature are devoted entirely to disbursements for accumulation of a productive nature, then there will be a lack of harmony between production and living in the ensuing years and there will be an imbalance in the proportion between accumulation and consumption.

Our actual experiences for the past 30 years in financial work have amply proved that if the quantity limits in financial income and disbursements are violated then the national economy will be seriously endangered. On the other hand, if they are respected and work is done in accordance with those objective quantity limits, then finance will be able to play a positive role in correctly handling the proportionate relationship between accumulation and consumption, thus insuring the smooth development of the national economy. During the period of the First Five-Year Plan, when planning income, due regard was given to the condition of increasing the national income and it was possible to achieve an increase in financial receipts in accordance with the size of the "m" portion of the increase in national income and at the same time appropriately raising the people's standard of living. With regard to disbursements, those of a maintenance nature and those of a development nature were thought out rather comprehensively and were comparatively and objectively in

accordance with the order of procedure and the quantity limits. The result was that the proportion between accumulation and consumption was comparatively harmonious, that production achieved rapid development and that people's standard of living was improved rather considerably. During the period of the Second Five-Year Plan, due to people getting "swell-headed" and to the influence of boastfulness and blindly seeking high targets, financial work disregarded objective laws. From 1958 to 1960, for 3 years in succession, we violated the quantity limits which governed the increase in financial income in relation to the increase in the national income. In 1958, the national income increased by 21 billion yuan over the preceding year. The labor productivity rate was down by 8.5 percent. Consumption of production materials increased. Hence, the increase in national income was basically due to new labor power being injected into production. According to the objective quantity limit, the additional increase which finance could muster should be at most around 10.1 billion yuan. Yet the actual increase was 13.3 billion yuan, in other words, 3 billion yuan more. In 1959, the national income increased by 10.4 billion yuan over 1958. On the basis of the workable limit for the increase in financial income, the increase in financial income should only have been 3.2 billion yuan. Yet the actual increase was found to be 13.5 billion yuan. In this way, the entire portion of the increase in the national income was cumulated and in fact was exceeded by over 30 percent. What was more serious was that in 1960 the national income took a downward turn in comparison with 1959. If the objective quantity limit governing financial income was followed, then basically speaking financial income could not be increased, but actually an increase of 5.6 billion yuan was made over the preceding year. On the side of financial disbursements, the objective requirements of "following the order" and "quantity limits" were also completely ignored. Earnest efforts were made one-sidedly to increase accumulation disbursements for capital construction. In particular, in 1960 the financial income of that year was only increased by 5.6 billion yuan but the increases in capital construction disbursements amounted to 6.7 billion yuan. This seriously violated the quantity limit which financial disbursements must obey. As a result, the ratio of accumulation in the disposition of the national income was greatly increased. In 1958, accumulation accounted for 33.9 percent of the national income but went up to 43.8 percent in 1959 and to 39.6 percent in 1960. Due to this situation of a serious imbalance in the proportionate relationship between accumulation and consumption, the people's livelihood could not be improved and the people's enthusiasm for production was dampened. It also brought about an average yearly decrease of 4.3 percent in farm production during the Second Five-Year Plan period. Industrial labor productivity dropped by 8.5 percent in 1958, was down 7.5 percent in 1959 and fell sharply by 28.8 percent in 1961. All these factors, plus the occurrence of natural disasters and the Soviet Union perfidiously rescinding agreements and contracts, brought about serious difficulties to the national economy, making it necessary for its all-round readjustment. In the course of the readjustment, financial income and disbursements closely followed the quantity limits which, objectively speaking, must be obeyed. In planning the disbursements, investments in capital construction were first of all greatly curtailed. Such investments in 1961 were reduced by two-thirds in comparison with 1960 while in 1962 they were again curtailed by one-half compared with 1961. In this way, the proportionate relationship within the national economy was gradually restored to normal. In 1964, accumulation recovered the normal proportion of 22.2 percent of the national income, and the national economy achieved a rapid recovery and development. However, between 1966 and 1976 the national economy again suffered interferences and disruptions, this time from Lin Biao and the

gang of four. In economic work it was impossible then to follow economic laws. As a result, the national economy was on the verge of bankruptcy. In general, the two "ups and downs" in economic construction over the past 30 years have taught us a lesson that finance must vigorously exercise its role of regulating the proportion between accumulation and consumption, that there must be harmonious relationships within the national economy, and that financial income and disbursements must start with following the basic economic laws and strictly follow the objective quantity limits. All these constitute objective requirements which cannot be changed by man's wishes. Going against them will entail punishment.

#### Strengthening the Role of Finance in Appropriately Arranging the Proportionate Relationship Between Accumulation and Consumption

The role of finance in regulating the proportionate relationship between accumulation and consumption is determined by the objective character of socialist finance while the planning and arranging of financial income and disbursements in strict accordance with certain basic quantity limits are the objective demands of basic economic laws under socialism. However, neither objective laws nor objective demands can of themselves assert their role. All depends upon mankind in actual practice giving due recognition to their demands and scrupulously abiding by these objective quantity limits to the end that planning and arranging financial income and disbursements are strictly in accordance with objective demands. Only in this way can finance give full play to its active regulatory role of insuring that a correct proportion is formed between accumulation and consumption.

The prolonged disruptions caused by Lin Biao and the gang of four have brought much confusion to financial and economic administration. Many unsolved problems have been left behind. For example, there is no clear-cut demarcation of power and responsibility in financial and economic administration. Between the central government, the localities and the enterprises, there is much confusion in such matters as the centralization and division of power. Where power should be centralized it is not centralized and when it should be divided it is not divided. All these factors seriously impede the correct exercise on the part of finance of its function of regulating the proportionate relationship between accumulation and consumption. At present, in order to strengthen the function of finance to effect a rational proportionate relationship between accumulation and consumption we must, in reforming financial and economic structure, give finance its proper place in economic administration, strengthen the responsibility of financial work, and correctly handle the questions of centralization of power and division of power in financial work.

First of all, the financial departments must be given the responsibility of realizing a correct proportionate relationship between accumulation and consumption. The fact that finance plays a decisive regulatory role over the proportionate relationship between accumulation and consumption objectively determines that departments handling financial work must shoulder this responsibility. Unfortunately, for a prolonged period of time, financial departments did not and could not take up this responsibility. But a fundamental measure to insure a harmonious relationship between accumulation and consumption in the national economy is to strengthen the responsibility of financial departments for correctly handling the proportionate relationship between accumulation and consumption. To enable the financial departments to take up this responsibility requires that they be given appropriate powers.



First of all, we must insure that financial departments have the power to determine what financial income should consist of and the power to reject requests to increase financial income which have no basis for support. If financial departments were forced to add, without any basis, to the income targets, then finance would be unable to shoulder this responsibility. Second, if in planning the disbursements finance is required to firmly insist on following the objective quantity limits, then it must possess the power to reject demands for investment that violate these objective limits. As for planning and arranging for production and construction and for distribution of material resources, financial departments should have the power to veto plans or arrangements that disrupt the normal proportion between accumulation and consumption. Only when their powers are not encroached upon can financial departments shoulder the responsibility of insuring the realization of a correct relationship between accumulation and consumption.

Next, we must strengthen the unification plan of finance and its efforts to achieve comprehensive equilibrium. The ratio of deployment of the national income between accumulation and consumption is an economic ratio vastly broad in scope. We must look at the task with a full perspective of the whole national economy and then work out a comprehensive plan. However, the distribution and redistribution of the national income, no matter whether it concerns organizing financial income or using financial funds, cannot be handled solely by the central financial authorities. Instead, local finance at various levels must be depended upon to contribute joint efforts. All activities concerning financial income and disbursements on the part of localities at various levels necessarily affect the proportion between accumulation and consumption in the national income. This requires finance to strengthen unified planning and to formulate a comprehensive financial plan so that under a unified plan, the income and disbursement activities of financial links at various levels may be coordinated to realize a rational proportionate relationship between accumulation and consumption.

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## NATIONAL POLICY AND ISSUES

### PRC JOURNAL ON DISTRIBUTION ACCORDING TO WORK

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[Article by Wu Dingcheng [0702 7844 2052] of the Economic Institute of the Chinese Academy of Social Sciences: "Correctly Understand and Apply the Law of Distribution According To Work"]

[Text] In the articles "Several Problems Concerning Distribution According to Work" (GONGREN RIBAO 21 March 80 p 2) and "Preliminary Views on the Principle of Comprehensive Material Interests," (RENNIN RIBAO, 14 July 80, p 5) Comrade Jiang Yiwei puts forward some of his initial ideas on how to understand and implement correctly the principle of distribution according to work and on the reform of the wage and welfare system. [Hereafter all quotations without attribution are from these two articles] If it is considered necessary to implement comprehensively the principle of material interests, "we must let the masses of people see and feel both individual and overall material interests and see the direct relationship between individual and overall interests as when a boat goes up as the river rises." "We must let the broad masses of laboring people feel directly that individual interests depend on each individual's work ability and contribution and that they derive from the fruit of collective labor and also from the economic development of the country." Jiang Yiwei advocates that "under the socialist system, individual material interests of staff members and workers should come from three sources: the first is individual wages, the second is collective welfare services of enterprises, and the third is welfare services of society. For quite a long period of time to come, income from wages will still be the chief source of individual interests. But with the development of socialist construction, the proportion of collective and social welfare will increase day by day." These ideas are noteworthy, but some of the problems need further study. The following are some of my opinions which have not yet been considered thoroughly.

#### 1. Is Marx's Tenet of Distribution According To Work Suitable for Large-Scale Production With Socialized Labor?

Comrade Jiang Yiwei holds that "in order to facilitate the explanation of the tenet of distribution according to work, Marx used simple commodity production as a format, whereas in our actual life, small-scale production based on individual labor no longer exists, and what we have is highly socialized large-scale production." We consider that Marx's scientific exposition on the tenet of distribution according to

work was not based "on the format of simple commodity production" at all, but rather on socialized large-scale production. Marx said that during the stage of socialism, "the individual producer receives from society--after deductions have been made--exactly what he gives to it. What he has given to it is his individual quantum of labor.... He receives a certificate from society that he has furnished such and such an amount of labor (after deducting his labor for the common funds), and with this certificate he draws from the social stock of the means of consumption as much as the same amount of labor would cost. He gives to society in one form the same amount of labor he receives in another." ("Selected Works of Marx and Engels," "Critique of the Gotha Program," vol 3, pp 10-11) Marx's exposition on distribution according to work is well-known to all. Is the economy in the socialist society mentioned here by Marx an economy of simple commodity production then? Not at all. Marx said, "Within the cooperative society based on common ownership of the means of production, the producers do not exchange their products, nor does the labor employed on the products appear here as the value of these products, as an objective quality possessed by them, since now, in contrast to capitalist society, individual labor exists in an indirect fashion but directly as a component part of total labor." (Ibid) Engels also made a similar exposition: "Once society possesses the means of production, commodity production will die out and so will the domination of products over producers. The situation of anarchism within social production will be replaced by planned and conscientious organization." ("Selected Works of Marx and Engels," "Anti-Duhring," vol 3, p 323) In other words, Marx and Engels, according to the situation of the economic development of the advanced--such as England, France and so on--capitalist countries in the 1970's of the 20th century, anticipated that the proletariat would first win a revolutionary victory in these countries and would construct socialism on the basis of a rather well-developed socialized labor and large-scale system of production. Thus, there is a marked difference between the socialism anticipated by Marx and Engels and the reality of our socialism. First, it has a unitary system of public ownership, whereas in our socialism, the system of ownership by the whole people and the system of ownership by the collective exist simultaneously, together with a small quantity of the system of individual ownership. Second, its social productive force reach quite a high level, whereas we are building socialism on the basis of a backward economy of a semicolonial and semifeudal society with a very low level of productive forces. Third, under the circumstance of a unitary public ownership and rather high level of productive forces, the relation between commodity and money dies out, the category of value no longer exists and the labor coupon becomes a common form of payment for labor, whereas it is still necessary for us to develop commodity production with great effort, to extend the circulation of commodities and to use monetary wages. To sum up, the socialist society anticipated by Marx and Engels has quite a well-developed, socialized labor, large-scale system of production and does not take simple commodity production as a format. On the contrary, in our present real-life situation, small-scale production based on the individual labor force makes up a certain proportion and the degree of the socialization of production is not high. Therefore, the belief that Marx's tenet of distribution according to work is based on simple commodity production, and that we already have a highly socialized labor, large-scale system of production, and that consequently, the thesis that "Marx's classical explanations of distribution according to work cannot be applied in practice in an oversimplified way," not only is not in conformity with out actual life today but also is not in conformity with the historical course



of the idea of scientific socialism. First, the capitalism personally observed by Marx and Engels was still nonmonopoly capitalism. They explicitly pointed out that the basic contradiction of the capitalist society was the contradiction between socialization of production and private ownership, and consequently they scientifically foresaw that "when the concentration of the means of production and the socialization of labor reaches a stage which is incompatible with their capitalist shell, the shell will explode." (*Das Kapital*, "People's Publishing House, 1974, pp 831-832) Thus, after winning the socialist revolutionary victory, the proletariat can, of course, only further develop the system of socialized labor, large-scale production on the original basis and cannot return to the small-scale production based on individual labor. How can it be imagined that Marx expounded the tenet of distribution according to work on the basis of simple commodity production? Second, Lenin and Stalin personally saw the development of capitalism from nonmonopoly capitalism into monopoly capitalism, that is, the stage of imperialism, in which production was highly concentrated and labor further socialized. However, Lenin summarized the tenet of distribution according to work as "Getting back an equal amount of product for an equal amount of labor," and realizing "equality in labor and equality in payment." Based on experience in socialist construction, Stalin further developed the tenet of distribution according to work into "from each according to his ability, to each according to his work." All this shows that Marx and Engels foresaw that the socialist society would be one with a socialized labor and large-scale system of production. Besides, Lenin and Stalin actually saw that the socialist society could only be one with a socialized labor and large-scale system of production. Proceeding from the prerequisite of socialized labor and large-scale system of production, they put forth that a producer's labor quantity and quality were taken as a standard for measuring the distribution of individual means of consumption.

Comrade Jiang Yiwei also holds that "Marx's explanations of distribution according to work can only be understood as a tenet and cannot be applied to practice in a simplistic way." As is mentioned above, Marx's scientific exposition on distribution according to work was put forward on the basis of a socialized labor and large-scale system of production in a socialist society and not on the basis of a simple commodity production. This being the case, Marx's classical explanation of the tenet of distribution according to work can certainly be applied in practice to socialist construction. In practice, many countries in which the proletariat have achieved victory through revolution have adopted various forms to implement the principle of "getting an equal amount of product for an equal amount of labor" and have been giving more to those who work more and conversely to those who work less. They have defended the personal interests of the laborers and aroused their enthusiasm in production. Deviation from this law will either give rise to equalitarianism or widen the gap between those who have more and those who have less in the distribution of the individual means of production, thus dampening the enthusiasm of the laborer and damaging the productive forces. There have been serious lessons in this respect both abroad and in China. Of course, in some departments and units, where the degree of socialization in production is comparatively high, there actually exists the situation where "within an enterprise, individual labor can only form a part of the product and individual labor can become effective labor only after the whole product is completed by the effort of all the laborers of the enterprise." Therefore, no one can say that a certain product is produced by "him." But from this we cannot draw the conclusion that since not any one of the products is produced by any individual producer, it is impossible to measure the amount of

labor furnished by each producer, and "it is impossible to evaluate directly the individual labor contribution." If we say that because products are produced collectively, "it is impossible to evaluate directly the individual labor contribution," then, according to this logic, it is not only impossible to carry out business accounting in teams and groups and in workshops and to determine separately their collective contribution, but it is also impossible for enterprises which produce parts to carry out business accounting independently and to determine their own collective contribution. It follows that only enterprises which undertake to assemble and produce finished products can carry out business accounting independently and know their own collective contribution. If that is really true, the so-called "distribution according to work to be effected after distribution according to collective contribution of enterprises," and "distribution according to work within enterprises should also stress distribution according to labor contribution of small collectives," have all become unrealizable, empty words. Even if enterprises which produce finished products can calculate their own collective labor contribution, individual labor quantity cannot be determined. What then is to be used as a basis for measuring the distribution of individual means of consumption? I think that under the circumstance of socialized large-scale production, each product is the fruit of collective labor, and not the fruit of any individual's labor. This is a fact. However, through social practice it is still possible to determine the amount of labor furnished by each producer according to how he takes part in productive labor. The method of fixed labor quotas commonly adopted in different trades and professions is proof. As for producers working on a production line, it is difficult to calculate the number of products each of them produces. This only shows that the piecework wage system is not suitable for the fixed quota method. Even under these circumstances, time of labor, intensity of labor, degree of proficiency, safety operation, maintenance of equipment, cooperation and coordination, product quality, economization on materials and so on can be used to determine the amount of labor furnished to society by each individual producer, which serves as a basis for the distribution of individual means of consumption.

Again, Comrade Jiang Yiwei holds that under the existing conditions of commodity production and money circulation, "the contribution made to society by an enterprise as a whole can only be evaluated by the total value of the products it hands over to society. It is impossible to evaluate directly the labor contribution of an individual." Is this really so? Judging the intent of the statement, it really is like this. The products of an enterprise are produced by everyone together, and a sum of money is obtained after selling the products. It seems impossible to find out how much the labor contribution of one worker is. However, it is still possible to calculate the labor contribution of each producer if we strengthen enterprise management and fix properly the amount of staff and quotas, so that the output is counted, the quality is checked, the consumption has standards, the costs of production are calculated, the rate of attendance is recorded, the work is evaluated, the workpoints are allotted as in production teams, and comparisons are made between labor workpoints, total output value and net output value. This kind of calculation cannot be absolutely exact, but if we practice it continuously and make summation and improvements continuously, we can calculate more exactly with each passing day the labor quantity of each individual producer.

Generally speaking, the Marxist tenet of distribution according to work is certainly applicable to a socialized labor and large-scale system of production. It is applicable when commodities and money still exist and it is also applicable after commodities and money have died out. That is to say, it is applicable throughout the whole historical stage of socialism.

## 2. What are the major problems in wage relations?

There are a lot of problems in our present wage system. What really are the major problems if our scope is confined to wage relations alone? We must make this point clear before we can suit the remedy to the ailment. It is necessary here to review history. After the wage reform in 1956, wages were adjusted a total of 4 times in the 21 years from 1956 to 1977. The shortest period between adjustments was 3 years and the longest 8 years, so the chances of promotion for staff members and workers were very few, resulting in the phenomenon of equalitarianism--having "several generations" of master workers and apprentices "in the same hall." Besides, differences in types of labor were over emphasized in the wage reform of 1956 so that the standard wages for some types of work in production were on the low side. For example, in industry, the wages of staff members and workers in some light industries were on the low side. Among industry, agriculture and commerce, the wages of staff members and workers of farms and commerce were on the low side. Between departments which produce materials and which do not produce materials, the wages of staff member and workers of the latter were on the low side. Between physical and intellectual workers, the wages of ordinary intellectual workers were on the low side. Among different regions, the wage grades of some regions also appeared to be slightly too low because of changes in the economic situation.

Let us look at the bonus system. It also has many problems. If, disregarding whether an enterprise has overfulfilled its production tasks and disregarding whether staff members and workers themselves have furnished extra labor, bonuses are distributed as a certain percentage of profits or of total wages and are distributed matter of factly month after month, with each person having a share, then they have actually become a form of supplementary wages. This phenomenon of equalitarianism is quite common. What is more, owing to various objective reasons, profits can vary among different enterprises. If bonuses are distributed according to profits before adjustments are made with regard to economic measures, the situation of having unequal shares of hard and easy jobs appear. Few institutions distribute bonuses. Schools usually do not distribute bonuses. Party organs, the government and the army do not distribute bonuses at all. Thus, differences emerge in material treatment given to staff members and workers of enterprises on the one hand and those of nonenterprise units on the other. These new situations have already attracted the attention of the people.

Generally speaking, equalitarianism exists quite commonly to varying degrees in standard wages within the same type of production work and in bonuses within the same enterprise. Some standard wages are on the low side for different types of production work and for different regions. Bonuses are distributed in different enterprises irrespective of the difficulty of the job. Unreasonable differences exist in the material treatment of staff members and workers of enterprises on the one hand and that of nonenterprise units on the other. These are the major problems



of the present system of wage relations. Only if these problems are studied in accordance with facts, if the law of distribution according to work is correctly applied and if feasible and reasonable measures are put forth can the enthusiasm of the broad masses of staff members and workers in the production system be brought into full play. Comrade Jiang Yiwei holds that "the first problem to solve should be indifference to good or bad work among different enterprises. Only then can the distribution problem within enterprises be solved.... If this problem of distribution according to work on a larger scale is not solved, and if distribution according to to work is carried out only for the individual within enterprises, then we are putting the cart before the horse." "If the problem of large-scale equalitarianism in enterprises is solved first, and if distribution according to work is carried out in smaller collectives within enterprises, where the result of labor or work can be calculated more easily, and equalitarianism among small collectives is overcome-- if these two types of equalitarianism are overcome, then a small amount of equalitarianism within small collective will not affect the situation as a whole but will even do it good." We do not fully agree with this view. Indeed, the problem of equalitarianism among enterprises and among workshops is very serious and should be solved, but it is not part of the problem of distribution according to work. We will discuss it again later. As for the distribution of individual means of consumption, we consider that we must use labor as a measure and must deal with it according to the concrete situation in order to overcome equalitarianism. That "a small amount of equalitarianism will not affect the situation as a whole but will even do it good" is really difficult to understand. If such a path is followed, equalitarianism within enterprises will be more serious and the phenomenon of distributing bonuses irrespective of the difficulty of the job will be even more conspicuous.

### 3. How to link material interests of staff members and workers with achievements of enterprise management?

Comrade Jiang Yiwei holds that "when we presently talk about distribution according to work, we often do not proceed from comprehensive material interests, leave out some links and merely talk about distribution according to individual labor ability and the amount of contribution. In theory it is defective and in practice it leads to laborers separating individual interests from collective interests and state interests and laborers paying attention only to individual material interests while ignoring the results of collective production and management or the economic development of the country." Here we must first make it clear as to when we talk about distribution according to work, are we "only paying attention to individual material interests"? We consider that: First, viewed from the distribution of individual means of consumption, to implement distribution according to work is to solve the problem of integrating labor quantity furnished by individuals with the amount of social payment, that is, to solve the problem of individual material interests. But viewed from the distribution of the total products of the society, the prerequisite of distribution according to work is the integration of the material interests of individuals, collectives and the state. It means that the distribution of individual means of consumption according to work is carried out after various deductions from the total products of society have been made. Therefore, distribution according to work follows the principle of integrating individual interests with overall interests and integrating immediate interests with long-term interests

and is based on appropriately handling the relations of material interests among individuals, collectives and the state. It by no means causes people to care only about individual interests and immediate interests. Of course, in actual life the phenomenon of the so-called "paying attention only to individual material interests without paying attention to either results of collective production and management or the economic development of the country" does exist, but these are problems in actual work which need studying and solving. It is also proof of not correctly implementing the principle of distribution according to work and it is not a result of "merely talking about distribution according to individual labor ability and the amount of contribution."

Comrade Jiang Yiwei also holds that "if Marx's notion of distribution according to work is changed into: Each enterprise makes labor contribution to society, and, after various deductions, receives from society exactly what it has furnished to society, it then will suit the actual conditions of our country." As I understand it, this actually means direct distribution according to profits of enterprises. Will this really work? First, judging from the point of view of individual producers, if we say "distribution according to work should first be based on distribution according to collective contribution of enterprises," we are bound to give people a false impression: since everyone takes part in collective labor, everyone should have a share in the distribution, so it is reasonable to "eat in the canteen the same as everyone else" whereas it is groundless to deal with different people in different ways. Equalitarianism within enterprises will surely be encouraged and labor enthusiasm dampened. Second, judging from the point of view of enterprise profits, it outwardly is a complex reflection of the fruit of collective labor of enterprises but in reality it is related not only to individual labor and collective labor of the entire body of staff members and workers of respective enterprises but also to various objective factors. For example: 1) Though enterprises may have similar conditions, those better organized and with more advanced techniques and equipment make greater profits because of less material consumption, higher labor productivity and consequently lower production costs. These greater profits are the results of state investment. 2) Though mines and enterprises may have similar conditions, those with rich resources, mineral reserves of high grades and simpler operations, and farms with better climate and geology are bound to have more profits than their counterparts which do not. The extra profits are "differential income" which are derived from natural conditions. 3) Profits from exported commodities are usually more than those of commodities only sold on the domestic market. Profits of products for military use are usually more than those of products for civil use. Profits of high-grade products are usually more than those of low-grade products and so on. Such differences in profits are caused by differences in the processing structures of products. 4) Difference in external conditions such as transportation, supply and marketing also causes differences in profits. Under similar conditions, enterprises which have communication and transportation facilities, which have a regular supply of raw materials, fuel and power and which have unimpeded channels for selling their products are bound to have more profits. 5) The influence of higher or lower prices and of higher or lower tax rates over profits of enterprises is now especially obvious. Therefore, if wages of staff members and workers are decided in an oversimplified way, that is directly calculated to the amount of each enterprise's profits, it will undoubtedly lead to enterprises unequally distributing the hard and easy jobs. This deviates from the basic requirements of distribution

according to work. Third, judging from the point of view of the basics of political economy, what the central and local authorities receive all belongs to the category of "social deductions," and the portion from enterprise income used for the production fund, the reserve fund and the welfare fund also belong to "social deductions." Only the portion used for bonuses and annual dividends belongs to the category of distribution according to work. Comrade Jiang Yiwei holds that "distribution according to work by society to enterprises is chiefly reflected in distribution of total wages plus profits of enterprises." Hence the portion from enterprise income used for the production fund, the reserve fund and the welfare fund is also distribution according to work. This is worthy of further study and discussion.

From the three points mentioned above, to change Marx's distribution according to individual labor of producers in an oversimplified way into "distribution according to collective labor of enterprises," that is, direct distribution according to profits of enterprises, in theory, needs further study and discussion and in practice does not work. It will even bring about serious consequences.

How can material interests of staff members and workers be linked with achievements of enterprise management then? First, we consider that linking material interests of staff members and workers with achievements of enterprise management here does not mean fixing the wages of staff members and workers in an oversimplified way according to profits of enterprises but means using a portion deducted from enterprise income or profits for bonuses and collective welfare so that staff members and workers can see economic interests brought about by satisfactory individual labor and collective labor. In the future, when conditions are ripe, we can consider linking the range of promotion of staff members and workers or the level of their standard wages with achievements of enterprise management so as to further arouse the enthusiasm of staff members and workers to do a good job together in enterprise management and to raise the economic results. Second, to link material interests of staff members and workers with achievements of enterprise management, we must pay attention to solving the problem of unequal distribution of hard and easy jobs among enterprises. The thorough way to solve the problem of enterprises having unequal distribution of hard and easy jobs is to make use of such economic levers to adjust excess income brought about by various objective factors as collecting charges for using fixed assets and circulating funds, levying resources tax and income tax, adjusting prices of products, and reforming the tax system and so on, so that profits of enterprises can basically reflect the total fruit of individual labor and collective labor. If material interests of staff members and workers are linked with achievements of enterprise management on this basis, both the fundamental requirements of distribution according to work can be fulfilled and the problem of enterprises having unequal distribution of hard and easy jobs can be avoided. But at present, this cannot be done in one step. We can only adopt some transitional methods to carry out adjustment. For example, we can first affix the amount of bonuses to be set aside by deciding the percentage of bonuses in regard to total wages and then decide the percentage of such bonuses in regard to profits and finally in accordance with the potentials of different enterprises determine separately the percentage for setting aside bonuses according to profits of enterprises. In this way, although requirements for distribution according to work cannot be fully met, the problem of enterprises having unequal distribution of hard and easy jobs can be solved on the whole.



Moreover, Comrade Jiang Yiwei deems it "necessary to set the target for raising wage standards in the state plan for economic development. With the fulfillment of the plan for national economy, different grades of wage standards can be generally raised to a certain extent. In other words, if the actual ability of a staff member or a worker have not been raised and he cannot be promoted within a certain period, but his wage level can still be raised as a result of the development of state economy, it will then make him feel that individual interests are closely linked with the development of state economy." We consider that in principle it is absolutely correct to make staff members and workers see the direct relation between individual interests and the development of national economy. However, the way to realize this needs further study. 1) We must proceed from the actual conditions of our country and adopt practical and feasible measures. At present, there are numerous wage problems in our country and we simply do not have conditions for generally raising the wage standards. Therefore, the more practical and feasible steps should be: first matching wage grades with technical grades, technical titles and academic titles progressively so that wages of middle-aged staff members and workers can be raised more quickly. This leads to the realization of the principle of distribution according to work and arouses the enthusiasm of key vocational workers and at the same time solves the rather glaring problems in wages. It is like killing two birds with one stone. 2) Grant a certain amount of subsidies to staff members and workers in accordance with their length of service. This does not deviate from the principle of distribution according to work, and can also increase monetary wages of staff members and workers who have not been promoted for many years. It at least insures actual wages do not decrease. Of course, a certain material base must exist. We can only work to actively create conditions and gradually carry out this plan. 3) We should follow the principle that particular things develop with the improvement of the general situation, and adjust prices according to the situation of production and circulation. Monetary wages should also be adjusted to insure the actual income of staff members and workers does not decrease further so as to stabilize the livelihood of families of staff members and workers. This is an important problem concerning production, circulation and distribution and must be studied and solved as soon as possible. Finally, with the development of the national economy, collective and social welfare should be extended correspondingly so that the broad masses of staff members and workers can really feel that individual interests are closely linked to achievements resulting from enterprise management and the development of the national economy, and their initiative and enthusiasm in doing a good job in the four modernizations can be aroused.

To sum up, following Marx's tenet of distribution according to work, when we talk about more pay for more work, we do not mean to consider only individual interests but to take the integration of individual interests with collective interests and the integration of immediate interests with long-term interests as a prerequisite. When we talk about relating material interests of staff members and workers to achievements of enterprise management, we do not mean distribution according to profits of enterprises in an oversimplified way but to integrate appropriately material interests of staff members and workers with individual labor and collective labor and staff members and workers.

## MINERAL RESOURCES

### DEVELOPING COAL DRESSING, PROCESSING SAID IMPORTANT IN RESOURCE CONSERVATION

Beijing RENMIN RIBAO in Chinese 23 Oct 80 p 2

[Article by Hao Fengyin (6787 7364 0603), Deputy Chief, Production Division, Ministry of Coal Industry]

[Text] Editor's Note: Coal dressing is an indispensable link in coal production. Dressed coal and undressed coal are very different. Dressing can improve the quality of the coal, increase the varieties, raise the heat efficiency, and save on transportation. The gangue left from dressing may be used as low quality fuel and to manufacture cement. The rate of dressed coal in China is very low, always fluctuating at about 18 percent over nearly 20 years. It appears that coal dressing and processing should be emphasized and developed step by step in a planned manner.

China's energy utilization rate is very low. It is preliminarily estimated at 28 percent only, while the heat energy utilization rate of coal is below 25 percent. One of the reasons of this condition is the low ratio of dressing. The quality of the products is poor, the varieties are few, and the utilization is not reasonable.

#### Dressed and Undressed Coal Are Not the Same

Dressing is an important measure to improve the quality of the coal products and to increase the varieties. The development of dressing and processing coal for reasonable utilization of the coal resources has important significance for the entire national economy. In some developed nations, the ratio of dressed coal is above 85 percent.

When raw coal is dressed, it is divided into different grades or varieties of different qualities to supply to different users. The economic efficiency of dressing may vary. First, it may effectively improve the burning efficiency to raise the heat energy utilization rate. Second, after dressing and processing the gangue and the ash of the raw coal are either eliminated or utilized locally. This fact alone may save more than 15 percent of coal transportation volume. Third, dressing may improve the value of coal products. Dressing may improve 30 percent of the value of coking coal and 20 percent of that of power coal. On the national average, the value of one ton of raw coal may increase 5 yuan. Fourth, the coal resources may be more fully utilized; the area of mining of low grade coal may be expanded and the ratio of mechanized mining may be raised. The gangue left from dressing may be processed into low quality fuel and construction materials. Due to these advantages of coal dressing, all countries of the world are trying to develop coal dressing and processing industries.

## Slow Development of the Dressing Industry Has Unfavorable Effects on the National Economy

Since the establishment of the country, the ratio of coal dressing in China has been growing. At present, there are 102 coal dressing plants in the country, with a total capacity of 110 million tons. The growth of the ratio has been slow, however, and it has stayed at about 18 percent in nearly 20 years. Due to the slow growth of the dressing ratio and the imbalance between mining and dressing, the heavy burden is felt throughout the entire national economy, and manifested especially in the following four aspects:

- (1) The ash content of coal is high and the varieties are few. At present, more than 80 percent of the users are using undressed and unprocessed coal with very low utilization rate of heat energy. The energy consumption for producing one ton of steel in China about doubles that in Japan and the poor quality of the coking coal is an important reason. The ash content of China's coking coal averages at 10.5 percent while it is generally 7-9 percent in foreign countries. The furnaces of the thermoelectric power stations should be supplied with pulverized coal but in fact most of them are provided with raw coal. The rate of coal consumption per kwh is about 50 percent higher than that in Japan.
- (2) This fact increases ineffective transportation for the railways to cause the transportation situation to be more tense than it should. According to statistics, due to the fact that most of the commercial coal is undressed raw coal, the ash and gangue contents are high and they increase by about 30 million tons railway transportation volume every year.
- (3) The waste of coal resources is serious. Only about 100 million tons of generally distributed coking coal is dressed every year, while more than 100 million tons of that is burned as power coal. Some varieties of Chinese coal having very high reputation on the international markets, such as the antracite of Yangquan, the raw coal of Taiyuan, the high adhesive coal of Fengfeng and Kailuan, etc. can compete very favorably, but due to lack of dressing process, 40 percent of these are burned as raw coal. If all these are dressed and processed, the quality of refined coal may be greatly improved (the equivalent of increasing the quantity of high grade coal). A condition may be created for the users to save energy resources and a portion of these may be exported to earn foreign exchange.
- (4) Environmental pollution is made to be more serious. It is estimated that when every 10 million tons of raw coal is burned, 2 million tons of coal ash, 300,000 tons of smoke dust, and 30,000 tons of sulfur dioxide are produced to cause serious pollution. If the cities burn dressed coal instead, the extent of pollution may be obviously reduced.

In the future, the degree of mechanization of coal mining will continuously increase and the condition of coal mining will worsen while the quality of the raw coal will also drop. If the ratio of dressing is not increased, by 1985, the ash content of raw coal may increase to 30-32 percent and the ash content of commercial coal will also raise to 26 percent. For this reason, more ways must be found concerning dressing and reasonable utilization, otherwise the problem of environmental pollution will necessarily become more severe.



## Policy Must be Adjusted to Develop Dressing Processing

How can the coal dressing process be quickly developed to change the present condition of imbalance? First of all, in the idea of direction, the development of dressing process should be regarded as the important measure for opening the resources for energy conservation and for changing the structure of coal products. Second, coal products must be developed in the direction of improving the heat energy utilization rate, reducing environmental pollution, enhancing the advantage of coal, and guaranteeing export needs. At the same time, there should also be necessary reforms and adjustment in the existing management system and economic policy.

(1) The existing product planning, management, and quantity computation in mainly unit tons of raw coal should be changed. The production plan and inspection standard of state-operated coal enterprises use raw coal tonnage indices, and the various technical and economic indices, consumption limits, awards, and distributions are all tonnages of raw coal. The quality of the products and the number of varieties are not regarded as major inspection indices. For this reason, many coal mines give first consideration to the completion of the raw coal production plan. They are not willing to develop coal dressing. Some coal mines have dressing plants but are not using them. Although the quantity of raw coal production in China increases continuously, the ash content of the raw coal increases with it. The coal production of coal mines in 1965 was 170 million tons; it rose to 340 million tons in 1980, but the ash content of the raw coal also increased from 21 to 25 percent. Of the 170 tons of increased coal production, the ash increase factor took about 14 million tons. This type of emphasizing quantity of production but not the quality must be changed. In future management, the coal industry must use quality of the products and varieties of the coal as standards of inspection. In computation, China must be like the majority of the countries of the world, using standard coal or commercial coal as the unit of calculation, so that the plan management may be scientific while the coal mines may also be encouraged to develop dressing process to improve the composition of the coal products and to save the volume of transportation.

(2) The existing coal product distribution system should be changed. For a long time, coal has been managed in China as a general distribution material and not as a supplied merchandise. The existing coal products distribution system is very unreasonable. The producer, the transporter, the seller, and the user do not see one another. The production unit just produces; the distribution department only distributes in accordance with the production tonnage plan; the user cannot have direct link with the production unit and has no right of choosing products. Consequently, the product and variety are not fitting. What is supplied is not what is needed to create serious waste. Some local economic committees or related departments are afraid of dressing loss. The dressing process will affect the quantity of tonnage for distribution. After dressing, the superior quality products (with heat energy of 6,000-8,000 Cal) will be transferred out of the area and the by-products (with heat energy of 3,000-4,000 Cal) are retained for local use. For this reason, they cannot be positive about dressing. It is suggested that in the future, there should be unified management for production, supply, and sale. Under the unified plan, economic method is employed for scientific distribution to achieve high quality, multiple variety, individualized supply, and reasonable utilization. Different varieties are supplied to meet different needs of different

customers, so as to maximize the savings of the transportation capacity and improve the heat energy utilization rate of coal. The user and the production unit should sign contracts directly so that the supply will reach the designated areas and the quality will be stable.

(3) The existing pricing policy should be reformed. The existing price of coal products is generally too low, and the price difference between coal products is also not reasonable. This unreasonable policy should be changed to that of high price for superior quality and low price for inferior quality. The price should be determined according to the quality so as to encourage dressing. The function of pricing and taxing should be used to raise the tax rate of the raw coal and to limit the direct sale of raw coal for the purpose of encouraging the development of dressing processing.

(4) New techniques, new work processes, new equipment, should be adopted to establish a complete system of designing, researching, manufacturing, constructing, producing, and assembling industries. The present coal dressing procedure should be reconstructed to accelerate the design and construction of new plants. Scientific research of coal dressing should be strengthened as well as the leadership in developing, reforming, and reconstructing work. The development of coal dressing was not emphasized in the past. Most plants are using equipment and work procedure of the 50's so that the cost of constructing a coal dressing plant is high, the construction takes a long time, the work procedure of the plant is backward, the ash content of the products is high, the moisture content is great, and the environmental pollution is serious. In the future, the condition of a single product, such as the coking coal dressing plant produces only coking coal, must be changed. A system of capability of producing multiple products must be developed to grow in the direction of large size, high efficiency, and simplified plants.

As China's coal dressing engineering is backward, the mines are distributed in many areas and medium and small mines occupy a large ratio, attention must be given to develop practical dressing processes. The plant should be at a suitable site to achieve economic efficiency so that the user and the coal mine may both reap the benefit. Coal dressing plants of new mines and key old mines should be coordinated and expanded. For very old mines and small mines producing coal to be sold in nearby areas, moveable dressing plants may be developed or simplified technique of improving the quality of the coal may also be adopted.

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